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Japan's high-end distillers are the toast of the whisky world

WEALTH 8

Will Obama learn from Scott Brown's victory?

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THE WALL STREET JOURNAL.

VOL. XXXIV NO. 101 (India facsimile Vol. 1 No. 162) * * ASIA Thursday, January 21, 2010

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India's drought bodes trouble for the central bank

Reuters

A worker carries red chilies for grinding at a farm on the outskirts of the western Indian city of Ahmedabad on Wednesday. Rising food prices could undermine the power of the country's central bank. **Heard on the Street, page 30**

Home boom in China fuels growth, fears

By Andrew Batson

BEIJING—China's resurgent housing market has underpinned its world-leading economic recovery over the past year. Now the real-estate boom could be turning into one of the biggest risks to the nation's continued growth.

China's economy likely expanded around 8.5% in 2009, easily surpassing the 8% target the government had set early last year, when some economists were warning that growth might only reach 5% or so. The government publishes official data for the fourth quarter and full year of 2009 early Thursday in Beijing.

That strong growth brings China closer to overtaking Japan as the world's second-largest economy, though final numbers from that country won't be out until next month. Like Japan did in earlier decades, China has grown by rapid industrialization, shifting its rural population into cities where they get better jobs and buy homes and consumer goods.

But as China booms, the similarities to Japan may be too close for comfort: There's increasing concern China could be headed for some of the same pitfalls Japan encountered leading up to the early 1990s, when the bursting of a massive real-estate bubble curtailed growth for years. Wang Shi, the head of China's biggest property developer, **China Vanke** Co., said in an interview last month that his country is at risk of a Japan-style property bubble if rapid price gains spread beyond major cities.

The latest evidence of Beijing's concern over possible bubbles came Wednesday, as the government placed further controls on the state bank lending that helped fuel the boom. Regulators said they would step up loan oversight and tightened lending controls on several banks, including Bank of China Ltd. The moves spooked investors in China, sending share prices down. (See article on page 3.)

The fate of China's housing market is increasingly central to its economic fortunes. As the government gradually withdraws its stimulus programs, private businesses

Please turn to page 16

Election stings Obama

By Greg Hitt And Peter Wallsten

BOSTON—A little-known Republican shook up the balance of power in Washington by winning a U.S. Senate seat in Massachusetts, a result that imperils President Barack Obama's top legislative priorities and points to trouble for his party in this year's midterm elections.

Republican Scott Brown's come-from-behind victory over Martha Coakley, the Democratic state attorney general, gives Republicans their 41st senator, costing Democrats their 60-vote Senate majority and ensuring the minority has enough votes to block legislation.

The White House and congressional leaders now must decide how to salvage their long-sought health-care overhaul. Rushing the bill after losing Massachusetts carries political risks. So does letting it collapse.

Mr. Brown, appearing on NBC's "Today" show Wednesday, called the Obama-backed health-care system "not good for our state." He said he offered voters the vision of a public servant who would vote for whatever is best, "whether it's a good Democratic idea or a Republican idea."

Republican Party Chairman Michael Steele said Americans are breathing "a sigh of relief" after Mr. Brown's win. Appearing on ABC's "Good Morning America" Wednesday, Mr. Steele said the results are a sign Americans want Congress to "slow it down" on health care. He advised Democrats to "start from scratch and start by listening to the people."

But abandoning the health-care overhaul is not an option for Democrats. Speaking on the Senate floor Wednesday, Majority Leader Harry Reid said Senate Democrats will press ahead with the overhaul. Sen. Reid acknowledged Tuesday's loss, but urged Republicans and Democrats to work together as partners, not partisans, reported the Associated Press.

Other Democratic priorities are now also uncertain. Although they still hold substantial majorities in both chambers, nervous Democrats with an eye on November midterm elections could start to keep their distance from the White House.

Senate Banking Committee Chairman Christopher Dodd (D., Conn.) will be under pressure to negotiate with Republicans who oppose the admin-

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Whiz Kid

Lured from Singapore with a scholarship, 10-year-old Ainan Cawley gives Malaysia bragging rights. **Page 5**

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PAGE TWO

What's News—

* * *

Business & Finance

■ **Morgan Stanley posted** a fourth-quarter profit following big prior-year losses as the investment bank is setting the stage for further improvement in 2010. Meanwhile, Bank of America reported improved results, although it still had a loss. **21**

■ **Fears that China** may do more to tighten monetary policy, hurting demand for commodities and cooling growth, hit stocks in Hong Kong, Shanghai and the U.S. **23**

■ **All Nippon Airways warned** that state aid to Japan Airlines could undermine competition in the industry. **17**

■ **MetLife's pursuit** of AIG's Alico marks a bold bet that the No. 1 life insurer in the U.S. can restore the reputation of a scandal-tainted company highly dependent on Japan's troubled economy. **19**

■ **Google is plotting** what a new, smaller China footprint could look like, after asserting that it won't play by the Chinese government's rules and plans to stop censoring its search engine. **24**

■ **China's sovereign-wealth fund** will focus this year on investing in emerging markets, particularly in Asia, its chairman said. **18**

■ **LG Display swung** to a fourth-quarter profit and gave a positive outlook as flat-panel prices rebounded. **18**

■ **Wipro posted** a higher quarterly profit, as an improving economy revived demand at the Indian software exporter. **18**

■ **Dr. Reddy's Laboratories** unexpectedly swung to a consolidated net loss for the third quarter because of a write-down of intangible assets and goodwill related to its German operations. **20**

■ **Samsung agreed** to pay as much as $900 million to Rambus as part of a deal to settle a dispute over memory chips. **20**

Getty Images

Hundreds of Haitians wait on boats docked off the coast in Port-au-Prince, Haiti on Wednesday. Thousands of earthquake-displaced Haitians have taken refuge on ships in the country's damaged port inlets, waiting for boats to help them escape from the capital.

■ **Honda plans to build** its fifth factory in China to keep up with surging demand. **19**

■ **Shanghai Industrial** will more than triple its land holdings by buying a stake in a distressed property company. **25**

■ **Bernanke defended** the Fed's decision to extend credit to AIG, and said the central bank would welcome a government review. **21**

■ **IBM's fourth-quarter profit** rose 8.7%, driven by cost-cutting and its services arm, as the tech giant posted only a slight uptick in overall revenue. **29**

■ **BHP said** quarterly iron-ore output rose 11% and that it is selling more of the key steel ingredient at beneficial spot prices. **20**

* * *

World-Wide

■ **A major aid organization** that has been providing health care in Haiti for two decades warned that 20,000 quake victims are dying daily because of a lack of medical care, especially surgery. **7**

■ **U.S. Defense Secretary Gates** said al Qaeda is working with local militant groups to destabilize South Asia and trigger a war between India and Pakistan. **3**

■ **NATO plans to create** a top civilian post in Kabul to flank its military chief in Afghanistan, and the British ambassador to Afghanistan is the leading contender. **6**

■ **Vietnam sentenced** four prominent dissidents to lengthy jail terms for attempting to overthrow the government. **6**

■ **A former Chinese democracy** movement leader who was handed over to mainland China from Hong Kong was sentenced to nine years in jail on the charge of attempted fraud, his lawyer said.

■ **Malaysian police arrested** eight Muslim men who allegedly attacked a Christian church, the first suspects in a spate of assaults on churches after a court ruled that non-Muslims could use the word Allah to refer to God.

ONLINE TODAY

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Pfizer is cutting jobs in the developed world and growing in China, counting on emerging markets for expansion.

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Brown claimed the Massachusetts Senate seat, throwing Obama's health revamp into doubt.

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Famed shoemaker Christian Louboutin has turned out heels in leather and silk, but he's adding a new material to his portfolio: glass.

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THE WALL STREET JOURNAL ASIA
Dow Jones Publishing Company (Asia)
25/F, Central Plaza, 18 Harbour Road, Hong Kong
Tel 852-2573 7121 Fax 852-2834 5291
www.wsj-asia.com

SUBSCRIPTIONS and Address Changes, please telephone our local customer service hotline, Hong Kong/Taiwan: 852-2831 2555; Beijing: 86-10 6581 4090; Shanghai: 86-21 5836 8228; Indonesia: 62-21 344 1101; Japan: 81-3 6269-2760; Korea: 82-2 756 1695; Malaysia: 60-3 2026 4061; Philippines: 63-2 848 5873; Singapore: 65-6415 4000; Thailand: 66-2 652 0871. Or email: service@wsj-asia.com

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WORLD NEWS

Bank of China to rein in loans

BEIJING—As China signaled a further tightening of controls on lending growth, one of the country's big banks said it was taking steps to rein in loans.

Bank of China Ltd. has ordered its credit officials to stop making new yuan loans because of overly fast lending growth in January, a person familiar with the situation said Wednesday.

An official at another bank said that in a meeting with the central bank earlier Wednesday, industry officials were informed that some small- to medium-sized stockholding commercial banks were being told to raise the amount of reserves they hold at the central bank, as part of the government's efforts to curb lending growth.

For these banks, the move comes on top the central bank's 0.5 percentage point increase Monday in the reserve-requirement ratio for most lenders. Officials at a number of banks reached by Dow Jones Newswires couldn't immediately confirm the reported move on Wednesday by the central bank, the People's Bank of China.

An official in the People's Bank of China's news department said he wasn't aware of any such move.

Liu Mingkang, chairman of the China Banking Regulatory Commission, said Wednesday the regulator will "continue to control the pace of the credit supply" this year. He said he he expects a substantial drop in new yuan lending after last year's explosive growth, though he added that the regulatory commission hasn't specifically told banks to suspend lending in January.

"I've made it very clear about bank lending. We have never asked the banks to stop lending," Mr. Liu said on the sidelines of a conference in Hong Kong.

Bank of China told all branches to stop issuing new yuan loans and curb foreign currency-denominated new loans, according to a person familiar with the situation.

Fears that China might further tighten lending as part of efforts to keep its economy from overheating sent Shanghai's main stock index was down 2.9% Wednesday, with large declines in banking stocks, and also kept a lid on gains in markets elsewhere in Asia.

News of the central bank move was cited by traders as hurting currencies linked to an appetite for risk, such as the Australian and New Zealand dollars.

With China serving as one of the main engines pulling the global economy out of recession, any move to slow its momentum could have repercussions around the world.

But widespread concerns that last year's fast growth in credit may inflate an asset bubble have led Chinese authorities to look for ways to rein in lending and adjust policy with an eye on inflation threats.

Beijing's stance on monetary policy has been hardening over the last week as it prepares to gradually wean the country off the massive stimulus that has supported the economy over the past year. So far, it has taken fairly moderate actions, guiding up the interest rate on government bills and increasing the reserve-requirement ratio, which decreases the amount banks have available to lend.

Reining in

Yuan lending growth in China, change from previous year

Source: People's Bank of China

The moves come as lending has risen at a breakneck clip in the first few weeks of the year, when banks traditionally ramp up lending. A local media report earlier this month said new loans in the first week of the year grew by 600 billion yuan ($88 billion), a massive figure; in all of December, new yuan loans were 379.8 billion yuan.

Bank of China, a state-controlled lender, told all branches to stop issuing new yuan loans and curb foreign currency-denominated new loans, the person familiar with the situation said Wednesday.

Bank of China said in a statement that its new loans in the first 20 days of January have been high and that it will take a closer look at its lending. The statement didn't address whether the bank had suspended lending.

"To ensure a proper amount and pace of lending and maintain the sustainability of lending, [we] must try our best to balance lending from month to month and from quarter to quarter," the bank said in the statement. It said it will strictly scrutinize its lending criteria, as well as the use of its loans.

Later Wednesday, in a statement issued through the state-run Xinhua news agency, the People's Bank of China reiterated its call for financial institutions to avoid unusual loan swings this year.

The central bank said it will "actively" guide banks to balance out their lending, prevent loan swings and properly manage the pace of credit extension.

CBRC's Mr. Liu said he expects new yuan bank loans to fall to around 7.5 trillion yuan this year from 9.59 trillion yuan in 2009. Outstanding yuan loans are expected to rise 16% to 18% this year, down significantly from a 31.7% increase in 2009.

Record bank lending in 2009 to support government spending on infrastructure and other projects under Beijing's stimulus package has led to fears of asset bubbles and huge bank losses if too many loans go unpaid.

China News

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U.S. warns on terror

Visiting defense chief says al Qaeda aims to destabilize South Asia

By Yochi J. Dreazen

NEW DELHI—U.S. Defense Secretary Robert Gates said al Qaeda is working with an array of local militant groups to destabilize South Asia and trigger a war between India and Pakistan, an indication of growing U.S. fears about new terror attacks throughout the volatile region.

Mr. Gates said al Qaeda had formed alliances with the Afghan and Pakistani Taliban as well as with Lashkar-e-Taiba, a Pakistani-based group that carried out the attacks in Mumbai in 2008 that left more than 170 dead.

The American defense chief, who is in the middle of a three-day visit to India, said the al Qaeda-led "syndicate" is trying "to destabilize not just Afghanistan, not just Pakistan, but potentially the whole region."

Speaking to reporters here, Mr. Gates said the Islamist groups were focusing particular attention on India and Pakistan, regional rivals who have fought three major wars since 1947. He said that Pakistani-based militants were trying to carry out strikes within India in hopes of provoking an Indian counterattack that could escalate into a new conflict between the two nations.

Mr. Gates said the groups also posed an "existential" threat to Pakistan and warned that India's government—which refrained from reprisal attacks on Pakistan after the Mumbai assault—wasn't likely to exercise similar restraint if new attacks occurred on its territory.

"I think it's not unreasonable to assume that Indian patience would be limited were there to be further attacks," he said.

The three-day trip here was designed to bolster Washington's ties to New Delhi, a U.S. ally that is rapidly emerging as one of the biggest purchasers of American-made weapons, airplanes and military vehicles in the world.

On Wednesday, Mr. Gates encouraged India's government to sign a series of technical agreements that would clear the way for India to purchase high-tech American-made encryption, navigation and targeting systems. The agreements, which have been under discussion for months, face significant Indian opposition.

Beyond the commercial dealings, Mr. Gates's meetings with senior Indian officials including Prime Minister Manmohan Singh focused heavily on the threat posed by al Qaeda and its regional allies.

Mr. Gates said Wednesday that Pakistani-based militants might try to provoke a new war "through some provocative act" within India.

After the Mumbai attacks, New Delhi has pursued an international diplomatic push to force Pakistan to take responsibility for the fact that the terrorists emanated from there.

With United Nations and U.S. pressure, Pakistan agreed to pursue the Lashkar-e-Taiba militants responsible for the attack and to clamp down on the organization's charitable wing. Pakistan also brought charges against several individuals suspected of helping plan the attack.

Indian officials take pride in the fact that their response was handled entirely through diplomatic channels and Mr. Gates praised them for behaving with "great statesmanship."

But the Indian government has also repeatedly called on Pakistan to do more to curtail terrorists dedicated to attacking India and officials have cautioned that if there is another attack on India emanating from Pakistan, the response would likely go further than diplomacy.

If new major attacks take place in India, it is widely expected here that India would respond with what it considers to be military restraint—such as targeted missile strikes against terrorist camps on the Pakistani side of Kashmir.

That scenario presents American officials in the region with a challenge: how to create enough political breathing space to prevent a subsequent escalation that could lead to war between the two sides.

—Paul Beckett contributed to this article.

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WORLD NEWS: ASIA

China's homegrown movies flourish

By Ian Johnson

As foreigners begin to pry open China's film market, they may find a dramatically revived local film industry is increasingly able to hold its own.

On Tuesday, cinemas in China confirmed that they have been ordered to pull two-dimensional editions of the Hollywood blockbuster "Avatar" to make way for a state-sponsored biography of the Chinese philosopher Confucius.

The move to sharply curtail showings of the movie highlights China's efforts to limit foreign films, but it also comes amid a rebirth of the Chinese film industry.

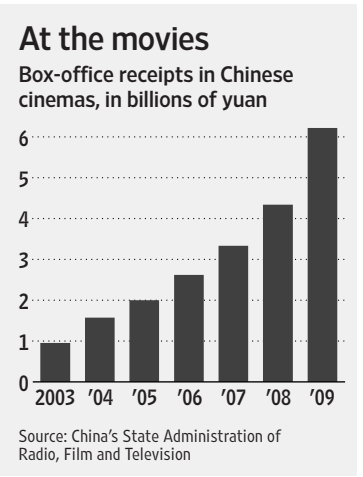
About a decade ago, Chinese films scored big at international art festivals, but the industry was in disarray at home. Cinemas were old and decrepit, productions were clunkers and pirated videotapes and discs proliferated.

By contrast, Beijing's You-Town shopping center was crowded with young couples watching films on a recent Wednesday night. The modern, six-cinema multiplex seats 1,200, and almost all the seats were taken at $8 each, even though stores on the next block were offering pirated films for about $1 a disc.

All of the films on display were Hong Kong or domestically produced movies. Domestic films account for more than half the box-office gross, which has been growing at 25% a year over the past five years. In 2009, growth accelerated to 42%, with total receipts of $911 million. That is still far behind the U.S., where box-office receipts were $9.87 billion in 2009, according to Adams Media Research.

In December, foreign filmmakers were heartened by a World Trade Organization ruling that said China should open its market to foreign films by lifting the requirement that the movies be sold through a government-run monopoly. The system allegedly discriminates against foreign films and limits foreign companies' revenues.

China has a year to change the rules or face tariffs from the U.S. This week's "Avatar" decision fits with China's current efforts to limit foreign films; only 20 movies can be imported each year, and most are blacked out during popular moviegoing seasons, such as the upcoming Chinese New Year festival.



If the rules on foreign films change, more pictures could enter the market, but the domestic industry is now in a stronger position to compete. "Opening up might bring in some more good foreign films, but I'm not convinced it will change things dramatically," says Lambert Yam, a U.S. filmmaker who now works in China. "People like seeing local films, and local studios are stronger than before."

The Chinese film industry began to turn around after China joined the WTO in 2001. At the time, the only films that did well in China were foreign—the box-office king then was the 1997 film "Titanic," which grossed $45 million here and, like "Avatar," was directed by James Cameron.

To join the WTO, China agreed to double the number of imported films to 20. "People were worried that the domestic industry would disappear," says Yu Jianhong, a professor at Beijing Film Academy.

Officials say the looming crisis forced a reconsideration. "In the past, we were more influenced by the old state planning system—we set targets" says Tong Gang, a senior official at China's State Administration of Radio, Film and Television. "After 2002, it was more a question of what was needed, what did people want?"

The growth in modern theaters has raised the number of screens in Chinese cities, and investment by private entrepreneurs has led to more effective marketing. Piracy is more controlled than before; although pirated DVDs of first-run films are available, the products largely come out after films have had their first runs in theaters.

Significantly, China's studio system also has changed. In the past, every major city or province had its own studio—also a relic of state-planning days. That was broken up with consolidation through the past decade, culminating with one studio, **Huayi Brothers Media** Corp., going public in October.

This year, China is expected to surpass South Korea to become Asia's second-largest film market and could overtake Japan in five years at current growth rates.

—Kersten Zhang, Sue Feng and Ethan Smith contributed to this article.

Rail link row fueled by public outcry for accountability

[The View From Hong Kong]

By Peter Stein

The Hong Kong government's plans to roll out a new $8.6 billion high-speed rail link to China, while now moving forward, have been a public-relations fiasco. Fierce protests by critics led to rare scenes last weekend of riot police wielding pepper spray, clashing with scores of demonstrators in the middle of Central, the main business district.

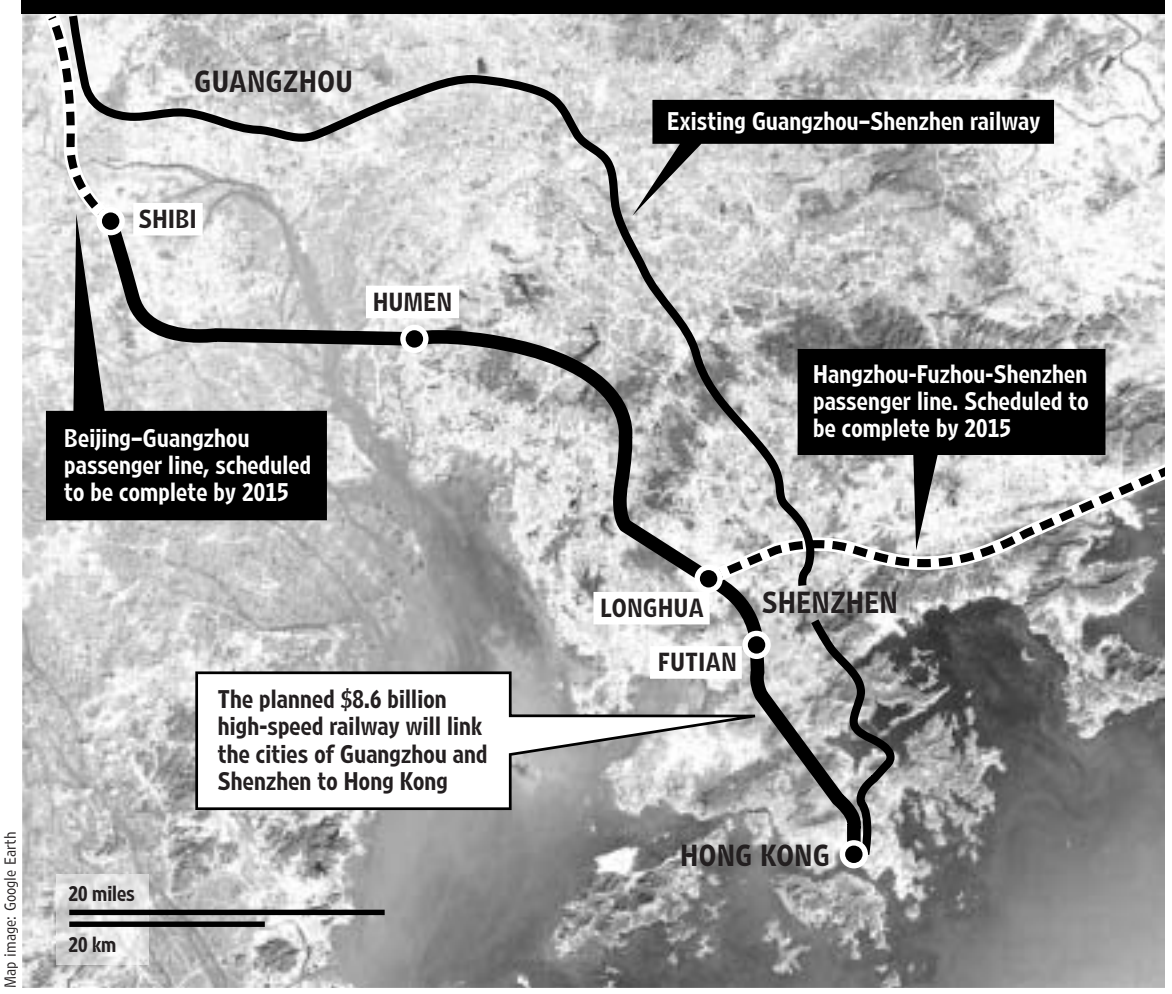
It isn't the first time infrastructure plans here have sparked virulent opposition and delays, but this time the stakes reach well beyond planes and trains, into the future of Hong Kong's political system itself. Many believe the root of the issue is a lack of political accountability in Hong Kong's government that can be solved only with direct elections. Reaching consensus on how to achieve that goal, in a manner acceptable to Beijing, will be one of the territory's biggest challenges in years to come.

Twenty years ago, plans by Hong Kong's British colonial administration to build a new airport were also enormously controversial. That story had a happy ending. Today, Hong Kong's airport is run with a stunning efficiency, and the roads and bridges serving it have seeded growth across a broad swath of Hong Kong's territory. Arguments about the airport's excessive costs and inconvenient location on an island far to the west of Hong Kong's urban center have faded from memory.

The railway link's supporters can argue that the convenience of direct, high-speed rail access to China will ultimately overshadow today's controversies, too.

Need for speed

Legislators won a tough battle to fund a new express railway linking Hong Kong to a high-speed rail network in mainland China. Unhappiness over how the project was pushed through and its high price tag of $8.6 billion have stoked broad opposition.



A high-speed train that goes from downtown Kowloon to Shenzhen in 14 minutes would encourage thinking of the two cities as one metropolis. It would bring Hong Kong within 48 minutes of Guangzhou (or at least its outskirts—passengers have to alight in a suburb). A 10-hour overnight train ride to Beijing might even become popular with bankers as an alternative to dealing with China's infamous flight delays.

But construction costs are exceptionally high. At $330 million per kilometer, it's been dubbed the most expensive railway in the world. The government offers optimistic projections about how many people will use the train, but return on investment isn't a big part of the argument. The low fares currently planned mean recouping costs could take decades. The link, rather, is often billed as a defensive play: an investment to ensure Hong Kong doesn't get left behind as China embarks on an ambitious plan to cover the country with high-speed rail connections.

When the airport dispute broke out two decades ago, Chinese authorities complained that the British were running down Hong Kong's hard-earned reserves with a $20 billion plan and saddling the future Chinese special administrative region with debt. But the two sides reached an accommodation when the British agreed to cap Hong Kong's borrowings for the project and to hold talks with China at various phases of the airport's development, among other things. The public's view, rarely consulted during most of Hong Kong's colonial rule, was never an issue.

It is now. This time, opposition to the railway was fueled by the Hong Kong government's failure to allow the public, which increasingly expects a say in how its money is spent, more than a cursory consultation process to properly debate the plans.

Which leads back to the question of government accountability. Hong Kong's constitution promises direct elections eventually, but with no timetable. Today, directly elected lawmakers serve alongside representatives of largely pro-government industry and professional groups, and the chief executive is chosen by 800 committee members.

Last Saturday, in a building surrounded by protesters clashing with police, lawmakers passed the bill that funds the railway. Soon the spotlight will move to the debate over how and when to achieve direct elections. A group of pro-democracy lawmakers are preparing to resign en masse, arguing that the resulting by-elections will become a de facto referendum on full democracy, at a time when Chief Executive Donald Tsang's administration is pushing its own slower, more gradual approach.

WSJ.com

See an interactive map of Hong Kong's $8.6 billion express railway at **asia.WSJ.com**

Whiz kid is a victory for Malaysia

Educating Ainan has become an international competition as boy is lured from rival Singapore with scholarship

By James Hookway

KUALA LUMPUR, Malaysia—A few months ago, 10-year-old Ainan Cawley was looking out for high-powered sports cars on the streets of Singapore.

Now the Singaporean youngster is ogling them on the streets of Malaysia, where he has just enrolled for a three-year American degree and inadvertently added to a long-standing tussle for supremacy between two of Asia's closest but least cozy neighbors.

Ainan has a special talent when it comes to subjects like chemistry and physics. He passed a chemistry exam when he was 7 that most children don't take until they are 16, and his parents say they couldn't find a sufficiently challenging school back home in Singapore.

Sensing an opportunity to generate some buzz for itself, Malaysia's HELP University College jumped in, offering Ainan a full scholarship this year and, in the process, scored some points for landing the child over Malaysia's traditional rival, Singapore.

To say that Singapore and Malaysia don't get along is putting it mildly. Once conjoined as part of British-controlled Malaya, Malaysia expelled the city state from what was then the Federation of Malaysia in 1965, fearing that Singapore's mostly ethnic-Chinese population would weaken the Muslim Malay government in Kuala Lumpur.

Since then, the two countries, separated by a narrow strait, have frequently butted heads. Some observers say their sibling-like rivalry has helped propel the development of their trade-based economies, which are the most sophisticated in Southeast Asia.

At other times, their mutual enmity spills over. Singapore is a tightly regulated, clockwork-like state that sometimes can't keep itself from criticizing Malaysia's messier ways. Singapore's founding prime minister, Lee Kuan Yew, famously labeled Malaysia's Johor state as "notorious for shootings, muggings and carjackings."

Malaysia, meanwhile, appears to enjoy testing Singapore's patience. It periodically threatens to negotiate Singapore's supply of fresh water, prompting Singapore's government to develop some of the world's most sophisticated water-recycling technology to turn waste water into something it brands "NEWater."

Now, Ainan's scholarship in Malaysia is provoking a fresh contest for bragging rights, especially in Singapore's state-controlled media, where government officials say they have bent over backward to help the boy.

It's a sensitive topic. The education industry is booming in Asia, with a number of countries seeing a surge in foreign students coming to study at universities and colleges.

Malaysia and Singapore are two of the biggest players. Paul Chan, the founder of privately funded HELP University College where Ainan is studying, says he is aiming to attract 20,000 students in 2016, up from 11,000 this year, and a quarter of them are foreign.

The school is listed on Malaysia's stock market, where its share price is up 29% since the beginning of 2008, and up 88% since the beginning of 2009.

HELP University College

Ainan Cawley, 10, exploring a HELP University chemistry lab in Malaysia.

Singapore's National University of Singapore and Nanyang Technological University, meanwhile, already are big names, and Ainan's defection to Malaysia's education system at such an early age could be a loss.

In an emailed response to a reporter's questions, Singapore's Ministry of Education said it works to ensure that every child, including those with special talents, reaches his or her full potential. A ministry spokesman described Ainan as "a talented young person." The ministry "sought to work with his parents to develop him holistically to become a successful adult" while arranging hands-on experience in the chemistry laboratory.

Ainan's parents don't see it that way. Ethnic-Malay Singaporean Syahidah Osman Cawley, 31, and her husband, Irishman Valentine Cawley, 41, describe their quest to find a stimulating education for Ainan as "Orwellian."

At first glance, Ainan seems like any other 10-year-old. He messes around with computers and plays with his two younger brothers, as well as keeping his eyes peeled for Bugatti Veyrons and other high-performance cars. Mr. Cawley and Mrs. Syahidah said they noticed there might be something a little more unusual about Ainan when visitors to their Singapore home were surprised to see him crawling about the floor when he was 4 months old. Later, when he was 6, a visit to Ainan's grandmother's house revealed an unexpected interest in chemistry.

"His aunt saw him looking through a chemistry book and said he looked as if he understood it," Mr. Cawley said. "She gave him an old sample exam paper, and he could answer the questions."

"It was spooky," said Mrs. Syahidah, as Ainan fiddled with the levers on a chair in the HELP campus's offices. "It was like I'd given birth to an old man."

The Cawleys said they realized Ainan would need more than Singapore's regular education system could offer, and they couldn't afford private schools. Without more challenging classes, they said, they worried that his whole attitude toward learning could be soured. "On his first day of school, Ainan was despondent," Mr. Cawley said. "It was nothing like what he expected. He was bored silly."

The family asked for permission to home-school Ainan, but the authorities didn't reply to the Cawleys and didn't respond to a reporter's questions about their application. After 22 months of trying, Mr. Cawley said he managed to arrange some hands-on lab experience for Ainan at Singapore Polytechnic, but those classes ended when the boy's mentor there—a Malaysian Chinese—became sick.

That, Mr. Cawley said, is when he began looking overseas. An inquiry to the Association for Gifted Children of Malaysia last year yielded several offers within a week. They chose HELP.

The college's founder, Mr. Chan, said his school agreed to accept Ainan as soon as it heard about his case.

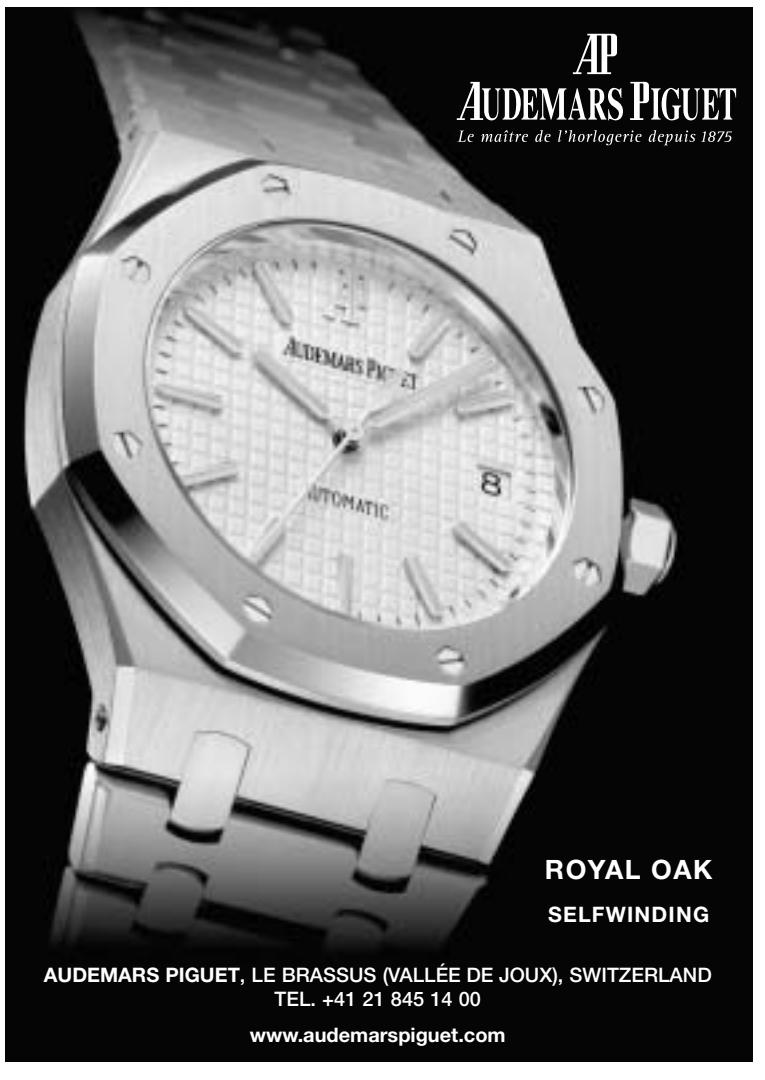
"We in the private sector, we can decide quickly. We don't have to go through the rigmarole of public meetings," Mr. Chan said. "And I can't deny the publicity helps."

To be sure there are dangers in pushing gifted children too far. British-Malaysian prodigy Sufiah Yusof entered Oxford University at the age of 13 in 1998 to study mathematics. She fled the university two years later, accusing her father of putting her through years of emotional pressure and was placed in the care of British social services before returning to her studies. Other people in the same situation have collapsed under the weight of expectations or found themselves ill-equipped to handle university social life.

Others excel when placed in the right kind of nurturing environment—which the Cawleys hope they have found in Malaysia—and go on to build careers and raise families.

Still, moving from the well-oiled machine that is Singapore to Kuala Lumpur brings its share of obstacles—including learning how to deal with Malaysia's traffic problems and notorious lack of taxis.

"We've always lived in places with good public transport," Mr. Cawley said, waiting patiently for a cab near the HELP campus. "But it looks like we're going to have to get a car."



WORLD NEWS

Vietnam sentences four dissidents

By James Hookway

Vietnam convicted and sentenced four prominent dissidents to lengthy jail terms Wednesday for attempting to overthrow the government, in a fresh demonstration of how the country's increasingly conservative Communist leaders are stifling dissent—and worrying some of their leading trading partners.

The best-known of the defendants, human-rights lawyer Le Cong Dinh, 41 years old, was given a comparatively mild five-year sentence in Ho Chi Minh City after admitting in court that he had broken the law by joining a banned political party. He testified he had been led astray by Western notions of democracy while studying law at Tulane University in the U.S. and hadn't intended to challenge Vietnam's leadership.

"From the bottom of my heart, I myself and these three other defendants had no intention to overthrow the government," the Associated Press reported Mr. Dinh as saying.

A co-defendant, Internet entrepreneur Tran Huynh Duy Thuc, 43, was sentenced to 16 years in prison after testifying that he hadn't broken any laws and was solely interested in helping to stamp out corruption.

Agence France-Presse/Getty Images

Le Cong Dinh stands during his trial at a Ho Chi Minh City court, Wednesday.

The trial, at the Ho Chi Minh City People's Court, was featured heavily in local, state-controlled Vietnamese media. The wide disparity in the length of the jail terms given to a contrite Mr. Dinh and the more combative Mr. Thuc appeared intended to send a message to other Vietnamese dissidents to stop criticizing the government, one foreign diplomat said.

Both men avoided a potential death penalty on the subversion charge, as did another defendant, Nguyen Tien Trung. A fourth defendant, Le Thang Long, was convicted as an accomplice.

The trial came amid growing international concern about an escalating crackdown on political dissent in Vietnam, which until recently had been better known as one Asia's fastest-growing, most vibrant economies.

Political analysts say the country's government gradually allowed increased space for political discussion and religious worship over the past decade, partly to ease Vietnam's entry into the World Trade Organization in 2007.

That year, Vietnam saw a third more foreign investment than neighboring Thailand and established itself as an important cog in the global economy, exporting goods as diverse as fish, electronic goods and crude oil.

In 2008, however, Vietnam's boom suddenly ran out of steam as inflation reached a peak of 28% and the global financial crisis hobbled the country's exports. Wary of growing discontent and spreading wildcat strikes, Vietnam's leaders took a more conservative attack, silencing dissent wherever possible. Political analysts say jockeying within the ruling Communist Party ahead of its next congress in January 2011—with conservatives widely seen by diplomats and analysts as gaining the upper hand—is contributing to the increasingly hostile environment.

Wednesday's convictions were the latest in a series of highly publicized trials in Vietnam, and 10 other pro-democracy activists have been jailed in the past three months. Mr. Dinh is by far the best known. A former vice chairman of the Ho Chi Minh City Bar Association, he studied in the U.S. on a Fulbright scholarship and was a significant player in Vietnam's legal defense against a trade complaint brought by U.S. catfish farmers.

In 2007, he caught the attention of Vietnam's authorities when he made a public plea for freedom of expression while defending other dissidents.

Vietnamese state media prior to the trial reported prosecutors as saying Mr. Dinh's transgressions represent a "particularly serious violation of national security."

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NATO will create top post in Kabul

By Yaroslav Trofimov

KABUL—The North Atlantic Treaty Organization plans to create a new top civilian post in Kabul to flank its military chief in Afghanistan, and the British ambassador to Afghanistan is the leading contender, according to senior officials familiar with the matter.

The announcement could be made as soon as Jan. 28, the day of an international conference on Afghanistan to be held in London, they said. The new appointee would head the civilian pillar of the U.S.-led coalition's work here, directing the flow of funds and aid to the provinces, and—if necessary—bypassing corrupt Afghan institutions. The official would play a prominent role in the effort to get insurgents to switch sides and to reintegrate them into society.

A British government official said the United Nations and European Union will also likely announce new special representatives to Afghanistan at or around the London conference.

American officials have long called for a senior international civilian figure to work with the military on rolling back the insurgency and supervising economic development, in part through the existing network of military-run provincial-reconstruction teams.

While the new position won't be as influential as civilian administrator jobs in Bosnia-Herzegovina or Kosovo, the new NATO official is expected have much greater authority than the alliance's current senior civilian representative in Kabul, Fernando Gentilini of Italy. Mr. Gentilini has asked the NATO secretary-general to start looking for his successor, a NATO official in Kabul said.

Initial discussions among member-countries of NATO included the possibility of giving the job to the U.S. ambassador in Kabul, Karl Eikenberry, making him the top American and NATO civilian official here at the same time. That is the status of U.S. General Stanley McChrystal, the top commander for all the 110,000 U.S. and NATO troops in Afghanistan.

However, European nations and Canada—which provide more than a third of the foreign forces here—opposed such a complete Americanization of the international effort in Afghanistan, familiar with the discussions say.

Alternative proposals called for giving the high-profile position to a senior European or Canadian politician, such as Britain's former defense minister Des Browne.

While no final decision on the appointment has been made, the compromise solution, backed by the U.S. and likely to be endorsed by other allies, envisions giving the new job to the current British ambassador in Kabul, Mark Sedwill, according to senior U.S. and allied officials familiar with the discussions.

The new official will direct the flow of foreign funds and aid—bypassing Afghan institutions if necessary.

A representative for the British Embassy in Kabul, queried on the issue, said: "It's up to NATO to agree on their appointments." Britain is the second-largest contributor of international troops to Afghanistan after the U.S., with some 10,000.

Mr. Sedwill, who became ambassador to Afghanistan in April, is believed to be on good terms with President Hamid Karzai and other senior Afghan politicians. Prior to the Kabul appointment, he served as Britain's deputy ambassador in Pakistan and in a several high-level positions at the Foreign and Commonwealth Office in London.

WORLD NEWS: HAITI

Medical care falls short, group warns

By Joe Lauria

A major aid organization that has been providing health care in Haiti for two decades warned that 20,000 quake victims are dying daily because of a lack of medical care, especially surgery.

The alarm raised the possibility that because of Haiti's dire poverty and demolished port, far more victims will die in the second and third weeks than is normal in earthquakes, where most casualties occur in the first days.

The country was rattled Wednesday morning by two aftershocks, which alarmed residents but appeared to cause significant new destruction. The earlier of the two, which measured a 6.1 magnitude, was the largest of 49 aftershocks of magnitude 4.5 or greater that have followed the 7.0 quake on Jan. 12, according to the Associated Press. Even the mild damage caused by the most recent aftershocks complicated efforts to bring desperately needed medical help.

In an urgent bulletin posted Tuesday on its Web site, Partners in Health said: "TENS OF THOUSANDS OF EARTHQUAKE VICTIMS NEED EMERGENCY SURGICAL CARE NOW!!!!! Our medical director has estimated that 20,000 people are dying each day who could be saved by surgery." The statement, which didn't give the basis for the estimate, continued, "The death toll and the incidence of gangrene and other deadly infections will continue to rise unless a massive effort is made to open and staff more operating rooms and to deliver essential equipment and supplies."

The medical situation is being helped somewhat by the arrival Wednesday--a day ahead of schedule--of hospital ship USNS Comfort, carrying 550 medical staff and 1,000 beds. A U.S. military helicopter delivered the first two patients, a 6-year-old boy and a 20-year-old man, to the Comfort in the early hours of Wednesday, according to a military announcement. Still, some of the dramatic rescues, in which people trapped for as long as a week beneath the rubble were pulled out alive, may yet end in tragedy if injuries lead to infections that can't be treated in time.

Despite a huge increase in the flow of aid—daily flights at Port-au-Prince's one-runway airport have rocketed to 180 from 30—the amount of relief supplies remains inadequate to the need. The World Food Program said more than a quarter-million ready-to-eat food rations had been distributed in Haiti by Tuesday, but that was enough for only a fraction of the three million people thought to be in desperate need.

The WFP said it needs to deliver 100 million ready-to-eat rations in the next 30 days, but it only had 16 million meals in the pipeline.

Hundreds of thousands of newly homeless residents of Haiti's capital have set up makeshift homes everywhere from public squares to gasoline stations. The Haitian government has estimated that more than one million of a population of some 10 million have lost their homes and that in some neighborhoods, 80% of the buildings were destroyed.

Governments have pledged nearly $1 billion in aid, and thousands of tons of food and medical supplies have been shipped. But much remains trapped in warehouses, or diverted to the neighboring Dominican Republic.

The obstacles are myriad and massive. Port-au-Prince's seaport was wrecked in the temblor and many of Haiti's roads, terrible in the best of times, are now impassable. Communications were stricken and the government was knocked out and now is barely functioning. Fears of violence made some donors reluctant to deliver relief without security forces.

Hard-hit towns scattered in the rural countryside are hard to reach and the country's crushing poverty left no cushion for anything. In addition, there are no large stocks of medicine, food, or other supplies.

Port-au-Prince's ruined seaport has begun taking small deliveries of emergency aid from offshore, and U.S. military forces are seeking to use other ports to relieve the tremendous pressure on the airport that has been virtually the only way into Haiti.

Maj. Gen. Daniel Allyn, deputy commander of all U.S. forces in Haiti, told reporters in a video conference at the Pentagon Tuesday that one of the military's top priorities is bringing equipment in to rebuild the port to allow for its "full opening."

But full—or even significant—operation could take a long time to restore. The seaport's main terminal, which normally handles more than 90% of the cargo entering Haiti, is unusable, said U.S. Coast Guard Capt. John Little, a member of an assessment team seeking to put the country's ports back to work.

That leaves only a "finger pier" normally used only by smaller boats. The earthquake tore a 200-foot hole in the middle of that 1,000-foot pier, and only one trailer truck at a time can drive out on it and unload cargo, officials said.

While security remains a concern, Haiti has rejected an offer of 800 troops from the Dominican Republic that had been proposed as part of a new deployment of 2,000 U.N. peacekeepers approved by the Security Council on Tuesday, according to a senior Western diplomat.

Associated Press (2)

A U.N. soldier yells to maintain order on a road leading to food warehouses in Port-au-Prince on Wednesday.

Haiti and the Dominican Republic, which share the island of Hispaniola, have a long history of tense relations.

"The Haitian government said no," the diplomat said. "So the U.N. is in talks with other countries, such as Brazil, Uruguay and Argentina" to provide the troops. Haiti is speaking with Canada and the U.S. for the troops, "which would be quite a departure for the U.S. to wear blue helmets," the diplomat said.

The U.S. military is sending about 10,000 troops under U.S. command to assist in recovery after the Jan. 12 quake, which has killed as many as 200,000 people. The U.S. has rarely operated as peacekeepers under the U.N. flag. The U.S. had a number of soldiers in the U.N.'s mission in Haiti and in the Former Yugoslav Republic of Macedonia in the 1990s.

There was no one available to comment in the Haitian mission to the U.N. in New York. The press office at the Dominican mission said they were unauthorized to comment. A call to the presidential press office in Santo Domingo went unanswered.

The Security Council authorized the deployment of the additional blue helmets and 1,500 new U.N. police to guard humanitarian aid corridors and food distribution points in Haiti. The new U.N. troops will guard five humanitarian aid corridors that the U.N. is establishing from Santo Domingo and northern Haitian ports to Port-au-Prince, said Alain Le Roy, under-secretary-general for peacekeeping operations. The police will help keep order at food distribution points.

Mr. Le Roy had said that the 800 Dominican troops were to be deployed to guard the corridor from Santo Domingo to Port-au-Prince. It was not immediately clear to U.N. peacekeeping officials whether Haiti's rejection would lead to a delay in setting up the corridors.

—Dionne Searcey contributed to this article.

A petty officer talks to a 6-year-old aboard a U.S. floating hospital on Monday.

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(Top to bottom) Strictly Japanese Whisky; Asahi/Nikka

In Paris, a shop called Strictly Japanese Whisky (no scotch inside). In contrast to the shrinking home front, overseas markets offer Japanese distillers a new market, for premium products in particular.

Japan's high-end distillers are the toast of whisky world

A sake scion who learned his trade in Scotland paved the way for blends that would make Robert Burns proud

Nikka Whisky's Pure Malt.

By Kenneth Maxwell

YOICHI, Japan—In 1918, Masataka Taketsuru, the son of a Japanese sake-brewing dynasty, sailed to Scotland to study chemistry—and he learned the craft of distilling fine Scotch whisky. Some 89 years later, a blend named after him prised something else from the Scots: the honor of being named best whisky in the world.

But making expensive whisky is one thing, selling it another: Nearly three years after Nikka Whisky Distilling Co.'s 21-year old Taketsuru Pure Malt was named the world's best blended malt at the prestigious Whisky Magazine awards in Glasgow, the Japanese company is finally planning to launch a range of its prize-winning whiskies in the U.S. by the end of the year.

Nikka—owned by **Asahi Breweries** Ltd.—and rival Suntory Holdings Ltd. hope their premium branded whiskies can follow a long list of successful Japanese exports from autos to electronics, and from sushi to anime.

"The fundamental thing in premium whisky is the whisky itself and both Nikka and Suntory have, over the last two decades, proved that they can produce some of the best whisky in the world," says Christopher Bunting, founder of Japanese whisky blog Nonjatta, which translates as "drunk it all." "The Japanese distillers are taking it slowly and cautiously but there are definite signs that the foreign market is being taken very seriously. Times are changing."

At the snowbound Yoichi distillery on Japan's northern island of Hokkaido, little has changed over the decades in terms of the principles of whisky distilling, says production manager Koichi Nishikawa. The stills—the large vessels in which the core of the distilling process takes place—at the Yoichi distillery are fired using coal, a method long since abandoned in most other distilleries. It makes for subtle differences in the way vapors pass into processing pipes before starting the process that converts them into alcohol, says Mr. Nishikawa.

Fresh from a traditional New Year's blessing by a local Shinto priest, the distillery is preparing for the first coal-firing of the year set for Jan. 24—the day before Scots mark their traditional celebration of national poet Robert Burns with a hearty meal of haggis washed down with Scotch whisky. (Unlike whiskey from the U.S. or Ireland, Japanese whisky is spelled without the 'e' like Scotch whisky.)

Until recently, Japan's whisky industry has taken a conservative approach to sales too, focusing on relatively low-cost brews that first rose to popularity in the domestic market in the 1970s.

Ulf Buxrud, author of "Japanese Whisky: Facts, Figures and Taste", says Japan's whisky makers missed a big overseas opportunity in the mid-1990s, when young and affluent consumers in Europe and the U.S. developed a taste for premium whiskeys that had previously been the province of connoisseurs and older drinkers.

"The Japanese were almost absent [from international markets] until 2006-2007 and, hence, lost an opportunity to take a significant slice of the market pie," Mr. Buxrud says.

In recent years, Japanese distillers have had to face declining sales of whisky in the domestic market, which had been a mainstay of demand.

Naofumi Kamiguchi, general manager of the wines and spirits division at Asahi, says whisky drinking in Japan has fallen off the scale since the smoking salarymen heydays of the 1970s and 1980s. Consumers have drifted to novel products such as beers made without malt and pre-mixed fruit cocktails, as well as traditional Japanese

An undated photo shows Nikka Whisky's distillery in Yoichi Town, Hokkaido, Japan, above. A visitor checks out the display of imported whiskies at the 9th Whisky Magazine Live! in Tokyo in February.

Bloomberg News (2)

brews such as sake and white spirit shochu. Japan's league of whisky drinkers is now only about a fifth of what it was 20 years ago, says Mr. Kamiguchi. Tax changes in the 1990s that made whisky relatively more expensive than other alcoholic drinks have also hurt sales.

In contrast to the shrinking home front, overseas markets offer Japanese distillers a new market, for premium products in particular.

Last month, in a traditional stone building off the Boulevard Saint Germain in Paris's tony 6th arrondissement, liquor distributor La Maison du Whisky opened a pop-up store selling a range of Japanese whiskies including Suntory's 12-year-old Hibiki. (Hibiki's 30-year-old whisky was voted best blended whisky in the world at the 2008 World Whiskies Awards.) Originally slated to close Jan. 16, La Maison du Whisky's manager for Nikka products Geraldine Landier says the store concept—devised by the French company—proved more popular than expected: Its four-week run was extended by a week and will now close on Saturday.

"We've built up some local custom in just that short time," says Ms. Landier, "as well as connoisseurs and even some tourists who came specially for the store."

While most customers have spent about €50 to €60 ($35 to $42) per bottle, those who want to really splurge can buy the highest-end Japanese whiskies that are on sale for €700 to €800, says Ms. Landier.

Paris also saw the opening last year of the only official Nikka bar outside Japan, in the cellar at the Curio Parlor cocktail club in the left bank just off the Seine river. The club hosts monthly "Nikka'fterwork" tasting events as well as funky club nights with guest DJs running into the wee hours.

Japanese distillers have also tested their wares in the U.S. The Nihon Whisky Lounge in San Francisco's Mission district—one of a relatively select band of U.S. outlets selling a range of Japanese whiskies—offers Suntory's flagship 12-year-old Yamazaki single malt at $13 a shot, while a Hibiki 12-year-old sets drinkers back $16 a pop. Bar staff say demand is rising, along with awareness of the existence of such a thing as premium Japanese whisky.

Nikka declined to disclose details of plans for the U.S. launch, including timetable and pricing, saying it is still finalizing terms of a distribution deal.

Takahiro Itoga, general manager of business planning for the spirits division at Suntory Liquors, says Europe and the U.S are a top priority for the company's whisky sales. Suntory launched its Hibiki brand in Europe and the U.S. last year, and saw overseas sales hit 6,000 cases. This year's target for Hibiki is 8,000 cases. Suntory has also targeted a 23% increase in overseas sales of its flagship Yamazaki brand to 31,000 cases from 25,000 last year.

Those numbers are a drop in the vat compared to the overall size of markets such as the U.S., where sales are worth well over $5 billion a year, according to the U.S. Distilled Spirits Council. But growth targets of the Japanese distillers indicate their ambitions in Europe and the U.S.—they are also looking at potentially lucrative emerging markets for premium whisky such as India, China and Russia.

Whisky enthusiast and author Mr. Buxrud is optimistic Japan's distilleries can succeed overseas.

"For me, Japanese malt whiskies are another color on the global palette...Their exclusivity not only lies in being true to and preserving the scheme they adopted from Scotland, but also in the desire to experiment and carry the concept forward, for example, using Japanese oak for maturing vessels, and developing own strains of yeast cultures."

—Hiroyuki Kachi contributed to this article

WSJ.com

Online today: Kenneth Maxwell takes a tour of the Yoichi distillery at **WSJ.com/Video**

Heath Hinegardner

Why some investors are fooling themselves

[The Intelligent Investor]

By Jason Zweig

What are we smoking, and when will we stop?

Robert Veres, editor of the Inside Information financial-planning newsletter, recently asked his subscribers to estimate long-term future stock returns after inflation, expenses and taxes, what I call a "net-net-net" return. Several dozen leading financial advisers responded. Although some didn't subtract taxes, the average answer was 6%. A few went as high as 9%.

We all should be so lucky. Historically, inflation has eaten away three percentage points of return a year in the U.S.. Investment expenses and taxes each have cut returns by roughly one to two percentage points a year. All told, those costs reduce annual returns by five to seven points.

In order to earn 6% for clients after inflation, fees and taxes, these financial planners will somehow have to pick investments that generate 11% or 13% a year before costs. Where will they find such gains? Since 1926, according to Ibbotson Associates, U.S. stocks have earned an annual average of 9.8%. Their long-term, net-net-net return is under 4%. All other major assets earned even less. If, like most people, you mix in some bonds and cash, your net-net-net is likely to be more like 2%.

The faith in fancifully high returns isn't just a harmless fairy tale. It leads many people to chase hot performance that can't last. The end result of fairy-tale expectations, whether you invest for yourself or with the help of a financial adviser, will be a huge shortfall in wealth late in life, and more years working rather than putting your feet up in retirement.

Even the biggest investors are too optimistic. David Salem is president of the Investment Fund for Foundations, which manages $8 billion for more than 700 nonprofits. Mr. Salem periodically asks trustees and investment officers of these charities to imagine they can swap all their assets in exchange for a contract that guarantees them a risk-free return for the next 50 years, while also satisfying their current spending needs. Then he asks them what minimal rate of return, after inflation and all fees, they would accept in such a swap.

In Mr. Salem's latest survey, the average response was 7.4%. One-sixth of his participants refused to swap for any return lower than 10%.

The first time Mr. Salem surveyed his group, in the fall of 2007, one person wanted 22%, a return that, over 50 years, would turn $100,000 into $2.1 billion.

Does that investor really think he can get 22% on his own? Apparently so, or he would have agreed to the swap at a lower rate.

I asked several investing experts what guaranteed net-net-net return they would accept to swap out their own assets. William Bernstein of **Efficient Frontier Advisors** would take 4%. Laurence Siegel, a consultant and former head of investment research at the **Ford Foundation**: 3%. John C. Bogle, founder of the **Vanguard Group** of mutual funds: 2.5%. Elroy Dimson of London Business School, an expert on the history of market returns: 0.5%.

Meanwhile, I asked Mr. Salem, who says he would swap at 5%, to see if he could get anyone on Wall Street to call his bluff. In exchange for a basket of 51% global stocks, 26% bonds, 13% cash and 5% each in commodities and real estate—much like a portfolio Mr. Salem oversees—the institutional trading desk at one major investment bank was willing to offer a guaranteed rate, after fees and inflation, of 1%.

All this suggests a useful reality check. If your financial planner says he can earn you 6% annually, net-net-net, tell him you will take it, right now, upfront. In fact, tell him you will take 5% and he can keep the difference. In exchange, you will sell him your entire portfolio at its current market value. You have just offered him the functional equivalent of what Wall Street calls a total-return swap.

Unless he is a fool or a crook, he probably will decline your offer. If he is honest, he should admit that he can't get sufficient returns to honor the swap.

So make him explain what rate he would be willing to pay if he actually had to execute a total return swap with you. That is the number you both should use to estimate the returns on your portfolio.

intelligentinvestor@wsj.com

ON OTHER FRONTS

Electric bikes terrorize China's streets, delivering a jolt to the bicycle kingdom

By Shai Oster
Beijing

(Left to right) Agence France-Presse/Getty Images; Bloomberg News

Chinese citiies initially embraced electric bikes as environmentally friendly, but a rise in fatal accidents has led to a backlash.

Bundled against the cold beneath a highway overpass on a busy Beijing intersection, traffic warden Zhao Delong waved his colored flag in frustration at the new silent killer stalking city streets.

"Those electric bikes just don't listen! The problem is they go too fast. They can't stop like bikes. I saw an accident just over there the other day where someone on an e-bike rushed through the intersection and plowed over someone on a regular bike," Mr. Zhao said as he tried to keep China's newest road hazard in check.

Powerful battery-powered bicycles are crowding out their push-pedal brethren, delivering a jolt to the Bicycle Kingdom.

By some estimates there are 120 million e-bikes on China's roads—up from just 50,000 a decade ago, making it the fastest growing form of transportation in China. Cities at first embraced them as a quieter and cleaner alternative to gasoline-powered scooters.

Officials were caught off guard when that environmentally appealing solution turned out to be deadly on the streets. In 2007, there were 2,469 deaths from electric-bicycle accidents nationwide, up from just 34 in 2001, according to government statistics.

That's roughly 3% of China's annual 90,000 traffic accident deaths. Still technically bicycles, they're operating in a legal gray zone. Drivers of electric bikes don't need to pass stringent driving tests to get licensed, and courts are struggling to sort out lawsuits.

Pedestrians complain that e-bike riders pay little heed to the rules of the road. Drivers of electric bikes are "totally devoid of conscience and respect for the law," complained Wang Mingyue, a blogger on the popular Beijing News Web site.

China's e-bike industry started under the planned economy of the Maoist 1960s. Primitive battery and engine technology doomed early efforts. After China liberalized its economy in the 1980s, a handful of entrepreneurs tried to revive e-bikes just as city planners were casting a worried eye on the explosive growth of exhaust-spewing mopeds and scooters.

By the 1990s, cities were starting to ban motor scooters, creating an opening for electric bicycles. Electric bikes had government backing: inclusion as one of 10 key scientific-development priority projects in the Ninth Five-Year Plan. They had the personal endorsement of former Premier Li Peng, according to an academic paper on the history of e-bikes in China by Jonathan Weinert, Ma Chaktan and Chris Cherry.

By 1998, regulators realized they had to limit the speed and size of e-bikes, too. The rules were loosely enforced and left a loophole. If it's got a pedal, it's a bicycle. The original standards put the maximum speed of an electric bike at 20 kilometers per hour (a little more than 12 mph). But e-bikes' power soon outpaced that. Some are capable of 25 mph or more.

The market grew slowly at first. That changed after China was hit by severe acute respiratory syndrome, or SARS, in 2003. National e-bike sales jumped from 1.5 million in 2002 to four million in 2003 as commuters sought an alternative to crowded public transport, where germs spread quickly.

Electric-bike fatalities rose, too. In 2003, 87 people were killed in e-bike accidents. A year later, 589 died. The deaths led to a backlash. Beijing and Fuzhou banned electric bikes in 2002. A group of other manufacturers and citizens joined together in a failed lawsuit against the Fuzhou government. Beijing lifted its ban in 2006. More cities decided they'd had enough. The northeast industrial town of Shenyang banned e-bikes in 2009 after their numbers spiked in the wake of a motorcycle ban.

Over the summer, Changsha city traffic police set up checkpoints and handed out 60,000 tickets in five days for e-bikes that violated weight and speed restrictions, or didn't have proper registration.

In Zhejiang province, Hangzhou banned out-of-town e-bikes; in Wenzhou, police confiscated 5,000 electric bikes in half a month for being too fast and large.

Riders like Yu Dejiang were caught in the legal crossfire. Mr Yu, a 30-year-old air-conditioner repairman in Wenzhou, splurged this summer and spent half a month's salary on a new electric scooter to replace a secondhand one that got stolen. Two weeks later, police dusted off old regulations on the books, confiscated his bike and fined him 700 yuan—about $100.

"The e-bike is a necessity for my work. The fastest and cheapest traffic vehicle I can afford. It's the same for most riders here. I can finish my work on the bike. There are no buses in many places and I can't afford to buy a car. What do you expect me to do?" said Mr. Yu. A few weeks later, he was back on the streets with another electric bike, looking over his shoulder in case city authorities crack down again.

But there's another problem. E-bikes may not be so clean after all. Because 95% of China's e-bikes use lead batteries, they emit more lead into the atmosphere than other forms of transportation, according to some studies. They also rely on electricity that's mostly made by coal-burning power plants.

Then suddenly, in December, the central government dropped a bombshell: tough new nationwide restrictions. There was heated debate. Sales at **Luyuan Group**, one of China's biggest e-bike makers, dropped 50% in December from November.

"Officials are getting the statistics wrong, they're not looking at them scientifically," said Ni Jie, Luyuan's founder. A former economics professor and electrical engineer, Mr. Ni has given his wife the company reins so he can focus more on industry lobbying. He argues electric bicycles are safer than bicycles or motorcycles and will soon start using cleaner, lithium batteries.

After intense public outcry in the media, the government backed down just weeks later. "In essence, a lack of respect for public opinion and for the reasonable and scientific decision-making process was to blame," for the government's behavior, said an opinion piece in China Daily, the state-backed English language newspaper.

Now, the industry associations are trying to figure out new guidelines before the central government steps back in. In the meantime, people are back in the shops.

He Chenyan, a 23-year-old telecommunications engineer, offered this advice as he tested out different electric bikes in Hangzhou. "These limits don't matter," he said. "The traffic police won't bother with us. They'll focus on real motor vehicles like cars and motorcycles."

A nearby saleswoman offered another solution: After getting a new bike registered with police, a simple adjustment to the motor pushes the maximum speed back up to 20 mph. "Any slower and you might as well ride a bicycle," she said.

—Sue Feng and Kersten Zhang in Beijing and Ellen Zhu in Shanghai contributed to this article.

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Boston Tea Party

"It is to me a new and consolatory proof that wherever the people are well-informed they can be trusted with their own government; that whenever things get so far wrong as to attract their notice, they may be relied on to set them to rights."

—Thomas Jefferson to Richard Price, January 8, 1789.

Two hundred and twenty-one years later, the sage of Monticello has been proven right again. Aroused and well-informed by a year of watching a liberal majority go very far wrong, Massachusetts voters handed a Senate seat held by Ted Kennedy for 47 years to Republican Scott Brown, a little known state senator from Wrenthem.

The resounding five-point victory in one of America's most liberal states is an upset heard 'round Washington—and one that ought to force Democrats to rethink their entire agenda, national health care in particular. Despite an 11th-hour intervention by President Obama in a state he carried with ease only 14 months ago, state Attorney General Martha Coakley was routed even in such unlikely tea-party outposts as Andover (58%) and amid a large turnout for a midwinter special election.

* * *

Democratic delusionists are already attributing Mrs. Coakley's defeat solely to her weaknesses as a candidate, and those were real enough (Curt Schilling, "Yankee fan"). But the last time the Bay State elected a Republican to the Senate was 1972, and a mere 15% of state voters now belong to the GOP. Mr. Brown won because moderates and independents swarmed to him, and because he had the wit and nerve to make the race a referendum on Democratic policies in Washington.

The White House insists that the election had nothing to do with health care. But Mr. Brown ran explicitly on a promise to be the 41st Senator against ObamaCare. "I can stop it,'' he declared in one debate.

Massachusetts passed a prototype of the Obama plan in 2006, and residents have since watched as their insurance premiums have risen to the highest in the nation, budget costs have soared, and bureaucrats are planning far more draconian regulation of medical practice. Mr. Brown accurately said the national sequel would be too expensive and reduce the quality of care, and that it would be a "raw deal" forcing Massachusetts taxpayers to subsidize all other states.

Getty Images

Senator-elect Scott Brown

It's telling, too, that at his rally for Mrs. Coakley on Sunday, Mr. Obama mentioned health care only by implication. The Commander in Chief did find time to deride Mr. Brown's pickup truck—six separate times. Mrs. Coakley also didn't mention health care in her final TV ad. The Democratic Party's top priority had become such a political albatross that Democrats didn't dare mention it lest it drive more votes to Mr. Brown.

* * *

The question now is how Democrats will respond to this historic election rebuke. Only a fleeting supermajority and corrupt logrolling has allowed ObamaCare to advance as far as it has, but many liberals will be tempted to keep telling voters to shut up and learn to like what Democrats give them. "Let's remove all doubt," Speaker Nancy Pelosi told reporters this week. "We will have health care one way or another."

Sometimes politicians really are as obtuse as they seem.

One of those Pelosi ways would be to delay certifying the election or seating Mr. Brown, and then rushing a bill to a vote in the next 15 days. But even liberals can't relish that spectacle of disdain for voters. Another option is to use the budget reconciliation process that would require only 51 Senators. But that would take several more months of committee work and controversy when the White House desperately wants to move on to jobs and its "austerity budget."

A third bloody-minded option would be for the House to pass the Senate's Christmas Eve bill, word for word without amendment. Liberals might swallow that humiliation, but then again ObamaCare only slipped through the House by an eyelash before Thanksgiving, and the bill keeps getting more unpopular.

Many Members may be curled on the floor in a fetal position now that the GOP has won even in the People's Republic of Massachusetts. (We'd love to eavesdrop on the next Blue Dog caucus meeting, or Indiana Senator Evan Bayh's conversations with his pollster.) And assuming they're not paper tigers, Bart Stupak (D., Mich.) and his band of 10 or so pro-life Democrats have said they can't accept the Senate language on funding abortions.

Even if one of these partisan efforts in brute political force succeeded in passing a bill, the effort would only further enrage the public and lead to an even larger Democratic rout in November.

The sensible alternative would be for Democrats to concede how badly they have misread the mandate of their 2008 victory and the public mood. They were elected to fix the economy and to replace a tapped-out GOP, not to exhume and pass every dead 20th-century liberal dream.

The place to start such a rethinking is on health care, by dumping the House and Senate bills and negotiating one that can attract Republican votes. A de minimis package that fixed some of the cost-drivers embedded in the tax code and added refundable tax credits to help the uninsured wouldn't be our policy ideal, but it would be better than the vast new entitlement spending, taxation and central planning that is ObamaCare. Mr. Brown (like everyone) says he supports universal coverage, and what an irony it would be if he and other Republicans ultimately voted for a more moderate plan that saved Democrats from their worst ideological obsessions.

More broadly, Mr. Brown's entire platform was built on change in Washington, and his candidacy tapped into the economic anxiety and political estrangement that voters feel nationwide. The electorate is livid about bailouts, blowout spending and the coming tax increases that Democrats will claim are necessary because of the deficits they have created.

On the economy, Mr. Brown didn't merely oppose tax increases; he was forthright in proposing across the board tax cuts to spur the economy. One of his ads cited JFK's supply-side cuts, and Democrats would be wise to heed that message and reconsider their desire to let the Bush tax cuts expire at the end of this year. Cap and tax on energy, easier unionization and higher estate taxes should all be dropped as burdens holding back job creation and the pace of the economic recovery.

* * *

Tuesday's vote wasn't a repudiation of Mr. Obama's Presidency, or at least it needn't be. The President remains more popular than his policies, and voters want him to succeed. But they are also telling him he needs to steer a more moderate, less partisan course, returning to the pragmatism and comity that shaped his political rise but have vanished in his first, squandered year.

Manila's Dose of Economic Populism

The Philippines' Congress has been agitating for a second round of price controls on drugs, which would follow close on the heels on an initial round of price controls that just went into effect in August. Here we go again.

Price controls on drugs and other bad election-season ideas.

The department of health issued a letter on January 6 with a "request" for drug companies to submit lists of drugs whose prices they would be willing to cut by 50%. The last time they issued such a "request," the result was a mandatory price cut of 50% for five branded drugs, and "voluntary" cuts for a further 16 drugs. Undersecretary of Health Alexandra Padilla has said that this second round could include even more drugs than the first round.

These controls are legal under the 2008 "Cheaper Medicines Act," but that doesn't make them good policy. The Department of Health writes in its January 6 letter that its request for price cuts is part of efforts "to improve access to essential medicines especially for the poor." But it has not presented any evidence that proves the current price controls have improved access for the poor. (The Department of Health did not return multiple telephone calls requesting comment.)

Health impact aside, what is certain is that price controls send a strong signal to all pharmaceutical companies about the desirability of doing business in the Philippines. The first round of price cuts dug into drug profits—not only for the makers of the 21 drugs affected, but also for generics manufacturers, who had to lower their prices to stay competitive. Hospitals and pharmacies saw profit margins wither as well—hardly encouraging for anyone who's thinking of investing in the health-care industry.

Unfortunately drugs are not the only sector suffering from the government's populist enthusiasm. Price limits were put in place for oil in October following two devastating typhoons, and lifted only once it became clear that the controls were drying up supply. Earlier this month the government also threatened to impose price controls on cement.

Congressmen may be hoping to score populist points with voters come May, but these moves fly in the face of the policies that have made the Philippines prosper over the last several decades. The last time price controls were widely used was during the reign of Ferdinand Marcos, who was overthrown in 1986. Many voters are old enough to remember how that turned out—with shortages of rice and unemployment at times near 25%.

Pharmaceutical sales are a $2.5 billion-a-year industry in the Philippines, and arbitrarily punishing drug companies only sets a bad precedent for other industries. If Congressmen really wanted to improve health care, they could cut taxes on medicines (currently at 12%), allocate resources toward keeping fake drugs out of the market, or develop the fledgling insurance industry. Populist shenanigans only risk making things worse.

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OPINION

Keynes Killed JAL

[Business Asia]

By Joseph Sternberg

An inefficient route network is among the most frequently cited reasons for the demise of Japan Airlines, which filed for bankruptcy protection Tuesday. Blame the government, which has directed JAL to fly money-losing domestic routes even after it was privatized in 1987, right?

The airline fell victim to infrastructure stimulus gone terribly wrong. Is China next?

Yes, but it's worth delving into the history of the airports those routes connect. Where did they all come from? At some point, someone thought it made economic sense to build those runways and terminals. Clearly that was wrong. The Yomiuri Shimbun newspaper reported in October that one-third of JAL's 151 domestic routes filled fewer than 50% of their seats. Only 11 of the other 99 flights hit a load factor greater than 70%. The high landing fees that fund construction and maintenance also dragged on JAL's bottom line—and the bottom lines of all the businesses and individuals buying tickets.

To understand this airport glut, remember British economist John Maynard Keynes and his views about the stimulative benefits of infrastructure. Generations of Japanese politicians have embraced his ideas with fervor.

Starting in the 1960s, successive governments concocted aviation plans focused on building new airports. Perhaps this was justifiable back then, when Japan was an Asian tiger economy with a growing population. But in 1964, even before the bulk of the airport construction, the bullet train appeared. At that point, and especially as the *shinkasen* high-speed-rail network developed, it might have been prudent to ask whether air would invariably be the most efficient way to connect domestic destinations.

Unfortunately, by then the airport boom had taken on a life of its own. During the lost decade of the 1990s, airport construction popped up in many stimulus plans. National and local politicians, not to mention the politically powerful construction lobby, wanted to put an airport in every prefecture. And ordinary airports wouldn't do. Because Japan's relatively small flat surface area is in such high demand, one airport after another was built on reclaimed land in the middle of the ocean at enormous expense. Despite periodic public fulminations about out-of-control costs, in practice "expensive" seemed to be viewed as a net positive.

Boosters touted airports as creators of short-term construction jobs and longer-term boons to their areas. This airport binge has continued right up to today. Japan's 98th airport opened last year: Shizuoka-Mt. Fuji, roughly 50 miles from the famous mountain. California, with a larger land area, has around one-third as many airports in regular commercial service, with another 35 or so "reliever airports" to handle business jets and general aviation.

Japan's strategy hasn't worked for the airlines *or* the airports. Those half-empty JAL flights helped push the carrier to bankruptcy. They also translate to less revenue for airports. Take Kobe Airport, which opened in 2006: It was supposed to create 130 billion yen ($1.4 billion at today's exchange rate) in vaguely defined economic benefits over 50 years for a region hit by a devastating earthquake in 1995. That was then. Today, Kobe is operating at roughly 60% capacity. It faces stiff competition from nearby Kansai International (built, like Kobe, on reclaimed land in the middle of a bay) and the older and more popular Itami airport in the region.

Meanwhile, one irony is that while Tokyo was busy dotting the countryside with "airports to nowhere," it lagged on beefing up air-transport infrastructure at places that actually need it. A third runway at Narita, the country's main international gateway, remains mired in political wrangling.

Reuters

On the tarmac at Narita

For taxpayers, the airports represent a sunk cost. JAL itself may be able to use its bankruptcy process to finally free itself of the burden of serving so many useless routes. New transportation minister Seiji Maehara in September promised to review the government fund that pays for new airports. His Democratic Party of Japan draws less support from the construction lobby that backed the Liberal Democratic Party, so Mr. Maehara may feel he owes less to the builders.

For everyone else, there's a lesson here about the costs of Keynesian stimulus. While political debates on infrastructure spending so often focus on how much government will have to pay for a project today, businesses can end up stuck paying the price for inefficient infrastructure tomorrow—and the day after. It was just JAL's bad luck to have to work with or around Japan's airport Keynesianism.

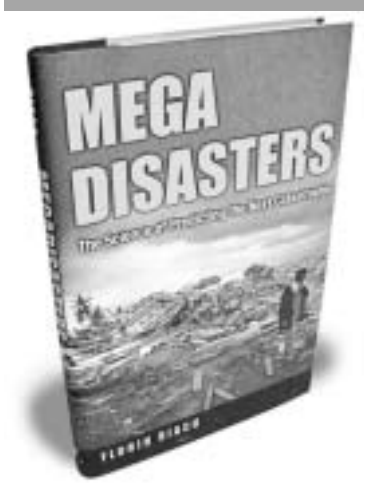
Lest anyone think this is a uniquely Japanese problem, consider all the other places in the world currently undergoing their own Keynesian infrastructure booms—and especially China. For instance, a new high-speed rail line is due to connect Beijing to a station an inconvenient 45 minutes from the downtown commercial center of Guangzhou in southern China. The train will take somewhat less than eight hours to connect cities reachable in under three by air. Will enough passengers ever make that trek for the train to operate in the black?

Maybe. But if 20 years from now we're writing about a bailout for, or the imminent bankruptcy of, China's high-speed train operator or another similar business, they won't be able to say the Japanese didn't warn them.

Mr. Sternberg edits the Business Asia column.

Catastrophe Keeps Coming

[Bookshelf]



Mega Disasters
By Florin Diacu
(Princeton, 195 pages, $24.95)

By Trevor Butterworth

Mega and not-quite-mega disasters are happening all the time, so much so that any book about them is likely to seem timely. With the sudden horror recently visited on Haiti, "Mega Disasters: The Science of Predicting the Next Catastrophe" seems eerily prescient indeed. But, in fact, in the past 60 years—a mere flicker in the history of the Earth—we have had three of the most powerful earthquakes ever measured (Chile in 1960, Alaska in 1964 and the Indian Ocean in 2004); the highest ocean wave in recorded history, when a massive rockfall pounded the Gilbert Inlet of Lituya Bay in Alaska in 1958 and created a wave that reached up to 1,720 feet; and the deadliest tsunami—a result of the 2004 earthquake in the Indian Ocean. It would be an easy bet to say something awful awaits us in the near future, but it appears next to impossible to bet where and when.

This is the dilemma and the dream of "Mega Disasters": that differential equations can narrow the knowledge gap and that we can mine the uncertainty in nonlinear dynamics (chaos theory) to anticipate disaster. Florin Diacu, a Romanian-born professor of mathematics at the University of Victoria in Canada, takes us on a grand tour of catastrophe, from cosmic collisions to financial crashes, and looks at the mathematical (or lack of mathematical) understanding behind them.

Predictably, he is at his best when discussing matters closest to his own field, celestial mathematics; and he makes a compelling case for developing the means, as the Russians appear to be doing, of batting asteroids out of humanity's ballpark.

But sometimes his catastrophic tour is perfunctory. For example, Mr. Diacu believes, not unreasonably, that more people could have been saved in 2004 if there had been a rudimentary tsunami warning system in place in the Indian Ocean. But he spends a soporific amount of time on how mathematicians failed to model ocean waves—as if wave modeling was the key to preventing the Indian Ocean disaster. It wasn't.

The unending clash between three of the Earth's great tectonic plates in the region was well known; the Andaman Sea teemed with seismic events; and the United Nations Development Program had allocated money for a regional warning system in 1989, after George Pararas-Carayannis, the director of the International Tsunami Information Center in Honolulu, advised it to do so. But the countries bordering this vast fault in the Earth's crust shrugged off the risk as unlikely and, incredibly, spent the money on other projects. As a consequence, a quarter of a million people died.

Some awful natural event awaits us in the near future. The hard part is knowing where and when.

By contrast, the recent earthquake in Haiti was not foreshadowed by any statistical evidence. The lay of the island signaled that there had been major earthquakes in the past, but not for 200 years; the Enriquilla-Plantain Garden fault line, which runs from the middle of Dominica down through Haiti to Jamaica, was thought to be dormant. Had it been studied, the build-up of stresses might have been measured and, perhaps, some warning might have been available for people to flee to open ground—the only realistic defense in a country as poor as Haiti. But if it was rational to create a warning system for the Indian Ocean, it was, weirdly, rational not to do so for Haiti. Why spend, conservatively, hundreds of millions of dollars on monitoring what appeared to be only a hypothetical threat?

As Mr. Diacu notes, the expense of studying plate tectonics is vast, the magnitude of the engineering beggaring: Beginning in 1970, it took 24 years to bore 7.6 miles down into the Earth, the deepest hole we have yet drilled (the Kola Superdeep Borehole in northern Russia). "But even if we could go deeper," Mr. Diacu writes, "drilling alone would not suffice to give us a full picture of what happens under our feet; it would rather resemble the attempt to assess a person's broken bone with a thin and long needle."

In the event that Haiti had trembled in advance of the quake, the likelihood of disaster would still have been slim: Only 6% of small tremors, Mr. Diacu observes, are succeeded by a major seismic event. In earthquake-prone China, there were 30 false alarms between 1996 and 1999, leading the Chinese government to conclude that it was counterproductive to sound like Chicken Little each time the ground shook.

So what are we to conclude? Even when you have rational grounds for a warning system, preparation is at the mercy of local politics; even when you have a good warning system, you still have to communicate warnings to the population, often a difficult matter; and even when you think you've figured out where the most likely risks lie, and you have disposed your limited scientific and technical resources in the best way possible, you can still be taken by surprise.

Instead of wrestling with these kinds of conundrums and suggesting how we might solve them, Mr. Diacu simply concludes that we'll get better at measuring the Earth's shifting forces and warning when they are about to snap; and that, just as the Global Positioning System revolutionized our ability to pinpoint the collision points of tectonic plates, "future unexpected inventions could bring the era of deterministic predictions closer to us than we hope." There are many tantalizing observations in "Mega Disasters," but there is too much of this retreat to the comfort of "we'll figure something out" for a story so filled with carnage in the here and now.

Mr. Butterworth is editor of STATS.org and a columnist for Forbes.com.

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OPINION

Blame the Left for Massachusetts

By Lanny J. Davis

Liberal Democrats might attempt to spin the shocking victory of Republican Scott Brown in Massachusetts by claiming that the loss was a result of a poor campaign by Martha Coakley. Would that it were so. This was a defeat not of the messenger, but of the message—and the sooner progressive Democrats face up to that fact, the better.

It's the substance, stupid!

According to polls, fears about the Democrats' health-care proposal played a prominent role in Mr. Brown's victory Tuesday. In the last several months, the minority congressional Republicans have dominated the message on health care—and stamped on the Democratic Party the perception that we stand for big government, higher taxes, and health insecurity when it comes to Medicare.

How is that possible? The Democrats have a simple message on health care that has still not really gotten through: If our bill passes, you never have to worry about getting, or losing, health insurance for the rest of your life. How is it that so few people have heard that message?

Then there were the two "deals" that put congressional Democrats in a worse light than the infamous "Bridge to Nowhere"—as impossible as that might have seemed—as an emblem of the special interest politics Barack Obama ran against. We Democrats had to explain to Massachusetts voters and other Americans why non-Nebraskans and nonunion members have to pay more taxes, while Nebraskans and union members get to pay less. Those two deals seem to have alienated most people across the political spectrum. That's not easy.

Somehow, in the last 12 months, we allowed the party of Bill Clinton and Barack Obama to morph into the party of George McGovern (or more accurately, his most ardent supporters) and Howard Dean, who called for the defeat of the Democratic health-care bill if it had neither a public option or Medicare buy-in. (He couldn't possibly have been speaking for the 31 million uninsured people in taking that all-or-nothing position.)

In 1996, Mr. Clinton was the first Democrat to win re-election since FDR—expanding the electoral map once again into western, southern, and sunbelt states. He did so by creating a new ideological hybrid for a still-progressive Democratic Party: balanced-budget fiscal conservatism, cultural moderation, and liberal social programs administered by a "lean and mean government." This New Democrat combination appealed to Ross Perot independents concerned about deficits, and also to traditional Republican suburbanites who were culturally moderate on issues like abortion and gay rights but opposed to high taxes and wasteful, big-government bureaucracy.

Democrats should be willing to seek common-ground reforms.

Then, in 2008, Barack Obama added something extra: a commitment to a "new politics" that transcended the "red" versus "blue" partisan divide. He explained this concept clearly in his 2004 Democratic Convention keynote speech and during his 2008 presidential campaign. It meant compromise, consensus and bipartisanship, even if that meant only incremental change. The purists on the left of the Democratic Party who demanded the "public option" or no bill at all apparently forgot that candidate Obama's health-care proposal did not include a public option; nor did it include a government mandate for everyone to either purchase insurance or pay a significant tax approximating the cost of that insurance—the "pay or play provision" in both the Senate and House bills.

Bottom line: We liberals need to reclaim the Democratic Party with the New Democrat positions of Bill Clinton and the New Politics/bipartisan aspirations of Barack Obama—a party that is willing to meet half-way with conservatives and Republicans even if that means only step-by-step reforms on health care and other issues that do not necessarily involve big-government solutions.

That's what Massachusetts Democrats and independent voters were telling national Democrats Tuesday. The question isn't just, will we listen? The question is, will we stop listening to the strident, purist base of our party who seem to prefer defeat to winning elections and no change at all if they don't get all the change they want.

Stay tuned.

Mr. Davis, a Washington, D.C., attorney and a weekly columnist for "The Hill" newspaper, was special counsel to President Bill Clinton from 1996-98. He is the author of "Scandal: How 'Gotcha' Politics Is Destroying America" (Palgrave Macmillan, 2006).

China's Scary Space Ambitions

By Richard D. Fisher, Jr.

China's Jan. 11 test of exoatmospheric missile interception is worth paying attention to—especially in Washington. It isn't just an early step toward development of a missile-defense system; it's also a signal of a radical change in the country's stance on the militarization of space. The United States should take this as a wake-up call that in the long term, China intends to challenge its strategic superiority in aerospace.

The U.S. risks losing the air superiority in Asia purchased through great sacrifice.

The People's Liberation Army publicly unveiled its new strategy as part of the Air Force's 60th anniversary in November last year. It appears that this strategy was formulated in 2004, but the world did not learn about it until PLA Air Force Commander General Xu Qiliang summarized it as "effecting air and space integration, possessing capabilities for both offensive and defensive operations."

Meanwhile, Chinese diplomats continued to hew to the line set down in 1985 by the late leader Deng Xiaoping, when he told former U.S. President Richard Nixon that China "is against whoever goes in for development of outer space weapons." China started an intensive diplomatic and propaganda campaign against American missile defense programs. Most recently Beijing added its vocal assistance to Vladimir Putin's intimidation campaign, which succeeded in helping to convince current U.S. President Barack Obama to reverse his predecessor's commitment to build ground-based defenses in Europe against Iran's Chinese-aided nuclear missile threat.

Today, China is beginning to shed the cloak of deception over its own missile-defense efforts, and has all but declared its intention to build an aerospace power to rival that of the U.S. After General Xu's statements, Chinese media commentaries explained that the new aerospace strategy emerged from Communist Party leader and PLA commander Hu Jintao's December 2004 call for the PLA to implement new "historic missions," which include defending China's international interests. The PLA Air Force in particular will shift from being a "campaign air force" for theater-level wars (such as against Taiwan) in cooperation with the Army, Navy and Second Artillery missile force, to a "strategic air force" increasingly capable of independent action farther from home.

Of particular importance is the PLA's willingness to publicly justify a space combat mission. While it is not yet clear which service will lead this mission, the PLA Air Force is the most vocal booster. In an Oct. 31 interview, General Xu stated that "competition among armed forces is moving toward the space-air domain and is extending from the aviation domain to near space and even deep space . . . having control of space and air means having control of the ground, the seas and oceans, and the electromagnetic space, which also means having the strategic initiative in one's hands . . ."

General Xu's candor forced the Foreign Ministry to inveigh the following month: "We oppose the weaponization of outer space or a space arms race . . ." But even some Chinese scoff at this self-serving propaganda. Also in November, a Chinese military expert

David G. Klein

stated that as long as "hegemonism" (code for the U.S.) maintains primacy in space, "air-and-space non-militarization is merely people's naive illusion, or just a slogan and banner."

This isn't the first warning to Washington. In 2006, the PLA used ground-based lasers to "dazzle" a U.S. satellite, and in January 2007 demonstrated a ground-launched satellite interception. Last November, Chinese experts noted that the PLA may develop "assassin" satellites and "laser-armed" satellites, and reported China may already be developing an "orbital bomber." The PLA may also consider placing military assets on the moon—the first "Chang'e Three" moon lander may be equipped with a small radar and laser range-finder for "scientific" missions. The strict military-civilian "dual use" policy governing China's space program may mean that future larger unmanned Moon bases could be used to locate and target U.S. deep-space satellites that provide warning of missile strikes.

It's already public knowledge that China is now developing or deploying four new nuclear-armed intercontinental land-mobile and sea-based nuclear missiles. The key variable is whether the PLA will equip these missiles with multiple warheads, as some Asia sources have suggested to me, which could conceivably allow China quickly to achieve 400 or more warheads. These same sources also estimate a national missile-defense capability could emerge before the mid-2020s.

China is upgrading its aerospace capabilities closer to earth, too. Since the November PLA Air Force anniversary, PLA leaders have stated that China's fifth-generation fighter could fly "soon" and be in service by 2017-19, exceeding a recent U.S. government estimate by about a decade. Other Chinese sources speculate the PLA may build 300 of these fighters.

* * *

As China signals its intention to build space-combat capabilities, increase the size and survivability of its nuclear missile forces, and build new fifth-generation air combat systems, the Obama administration is signaling retreat on the same fronts. Having declared his disdain for "Cold War" weapons in early 2009, it is unlikely that Mr. Obama will begin U.S. space-combat programs that could match and deter China in space. If anything, in fact, U.S. officials convey an indifference to China's aggressive intent. In early 2009, Mr. Obama reduced the limited number of ground-based missile interceptors to be based in Alaska and terminated a theater missile-defense program to enable one interceptor to shoot down multiple warheads. By August, the administration had defeated a Congressional attempt to extend production beyond 187 of the Lockheed Martin F-22, the premier U.S. fifth-generation jet fighter.

Continuing this course risks sacrificing the air superiority in Asia the U.S. has purchased through great sacrifice. If the PLA is able to attack U.S. space assets, it can limit the U.S. military's ability to detect and respond to PLA movements. Should China decide to increase its warhead numbers to the hundreds and defend them, the U.S. nuclear deterrent extended to Japan and other allies will lose its credibility. And if a larger number of PLA fifth-generation air-superiority fighters is able to overwhelm a lesser number of U.S. F-22s, then U.S. naval forces and bases in the Western Pacific will be more vulnerable to PLA air and missile strikes.

As a new U.S. administration tries to "move beyond the Cold War," primarily by limiting U.S. military power, China is signaling its intent to start an arms race. An American failure to respond would constitute a retreat from leadership. Asians will then face two unpalatable choices: accommodate China or obtain their own military deterrence. Both would increase political instability and in turn threaten the region's economic growth.

Mr. Fisher is a senior fellow at the International Assessment and Strategy Center in Alexandria, Va.

IN DEPTH

New generation of warlords in Afghanistan bedevils U.S.

Sirajuddin Haqqani and his network have become ruthless in pursuit of their nation free from foreign influence

Afghans walk past a shopping center burned after a Taliban attack in Kabul on Monday.

Reuters

By Matthew Rosenberg

In his teen years, Sirajuddin Haqqani was known among friends as a dandy. He cared more about the look of his thick black hair than the battles his father, a mujahideen warlord in the 1980s, was waging with Russia for control of Afghanistan.

The younger Mr. Haqqani is still a stylish sort, say those who know him. But now, approaching middle age and ensconced as the battlefield leader of his father's militant army, he has become ruthless in his own pursuit of an Afghanistan free from foreign influence. This time the enemy is the U.S. and its allies.

From outposts along the border between Pakistan and Afghanistan, his Haqqani network is waging a campaign that has made the Afghan insurgency deadlier. He has widened the use of suicide attacks, which became a Taliban mainstay only in the past few years. U.S. officials believe his forces carried out the dramatic Monday gun, grenade and suicide-bomb attack in Kabul on Afghan government ministries and a luxury hotel. The assault claimed five victims plus seven attackers.

Mr. Haqqani also aided the Dec. 30 attack by an al Qaeda operative that killed seven Central Intelligence Agency agents and contractors at a U.S. base in eastern Afghanistan, say militant commanders. And he orchestrated last year's assault on a United Nations guesthouse that killed five U.N. staffers, along with other attacks in the capital.

In a rare interview with The Wall Street Journal conducted by email and telephone last month, Mr. Haqqani declared, "We have managed to besiege the Afghan government. We sustain very few causalities; we can inflict heavy casualties to the enemy's side."

That message is problematic for a key plank of the U.S. military's Afghan "surge" which is based on a strategy of applying sufficient pressure on some Taliban leaders that they will negotiate for terms acceptable to Washington. On Tuesday, the Obama administration lent cautious support to the Afghan government's new outreach effort to the Taliban—a show of optimism that lower-level militants would reconcile with Kabul even if senior leaders continued fighting.

The rise of Mr. Haqqani, who is in his late 30s or early 40s, is part of a broader changing of the guard in the Afghan militant movement. A younger generation of commanders have helped transform the Taliban from a peasant army that harbored al Qaeda and was routed by the U.S.-led invasion in 2001 into a formidable guerrilla force that killed a record 520 Western troops last year.

Taliban leader Mullah Muhammad Omar and his inner circle—believed to be based in the southwestern Pakistani city of Quetta—still provide overall leadership of the Taliban movement. Osama bin Laden still rallies the al Qaeda faithful. But more than either man, Mr. Haqqani is at the fulcrum of the Afghan rebellion and its twin uprising in Pakistan's northwestern mountains. His base in North Waziristan, on the Pakistani side of the border, has become arguably the most important Islamist militant haven in the region, say U.S. and Pakistani officials. It attracts aspiring jihadis from around the globe, such as the five young Americans arrested last month in Pakistan who were allegedly on their way there.

Mr. Haqqani has emerged as a power-broker on both sides of the border. He has ties to almost every major faction in the confederation of groups operating under the Taliban umbrella. He has the strongest links to al Qaeda of any major Taliban faction, say U.S. officials and Pakistani experts. While pledging allegiance to Mullah Omar, he operates independently, choosing his own targets and only loosely coordinating with the Taliban's supreme leadership.

Mr. Haqqani showed his sway when the Pakistani Taliban, an offshoot of Afghanistan's Taliban, were on the verge of a bloody struggle following the death of its leader in a U.S. airstrike this summer. He called the major factions to North Waziristan to settle the dispute, telling them they must "follow the path of a great leader....You should save your bullets for your true enemies," said a tribal elder who attended the meeting.

Within days, the Pakistan Taliban's leadership was settled. The group has since repeatedly set off bombs in major cities and sent teams of gunmen to attack symbolic targets, including the headquarters of Pakistan's military.

In Afghanistan, Mr. Haqqani's men have kept up the heat on the government of President Hamid Karzai and U.S and allied forces with ever-more brazen attacks, including this week's assault on Kabul.

The attack was trademark Haqqani. Teams of gunmen and suicide bombers struck Kabul in broad daylight. It's a strategy the Haqqani network has used repeatedly in the past 12 months to sow fear and chaos in the seat of Afghanistan's weak central government.

The assailants struck on the day that members of the new Afghan cabinet were to be sworn in. They picked a spot that would allow them to hit a number of high-profile targets at once: Pashtunistan Square, which is ringed by the central bank, the entrance to the presidential palace, as well as several ministries, a shopping center and a luxury hotel.

U.S. and Afghan officials believe Mr. Haqqani has cultivated high-level double agents inside the Afghan government—including senior military and police officers, some of whom are suspected of having aided an assassination attempt on President Karzai at a parade in April 2008 in Kabul.

"There is no doubt that some of our countrymen in the army and police are helping us in our fight against the occupiers," Mr. Haqqani said when asked about the parade attack.

The U.S. takes such boasts seriously. "The Haqqanis are the most dangerous," said a senior U.S. military commander in Afghanistan. "They're going all the way to Kabul to carry out major attacks....They've got connections on both sides of the border in a way no one else does. They're dangerous for us and they're dangerous for the Pakistanis."

Pakistan has until now taken a hands-off approach to Mr. Haqqani, arguing he spends most of his time in Afghanistan and is ultimately America's problem. U.S. officials have long alleged that Pakistan tolerates and even aids Mr. Haqqani, so he can

IN DEPTH

A legacy of bloodshed

Soviet soldiers in Afghanistan in 1979

Jalaluddin Haqqani, right, as Taliban's minister for tribal affairs in 2001

Aftermath of a drone attack aimed at the Haqqanis

1979
Jalaluddin Haqqani flees Afghanistan after the Soviet invasion. Within a few years, he would establish himself as one of the leading Afghan mujahideen commanders battling Soviet forces from bases in neighboring Pakistan.

1992
Haqqani is named justice minister in the mujahideen government established after the fall of the Soviet-backed regime. The previous year, he was the first mujahideen commander to capture an Afghan city.

1995
He defects to the newly formed Taliban shortly before it sweeps the deeply divided mujahideen government from Kabul. He goes on to serve in a variety of positions for the Taliban, including Minister of Borders and Tribal Affairs.

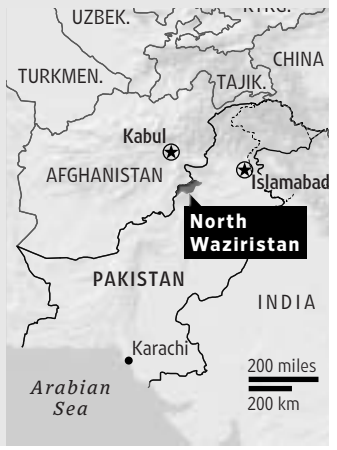
Late 2001
Haqqani flees across the border in Pakistan following the fall of the Taliban government. He is also believed to have helped elements of al Qaeda—and perhaps even Osama bin Laden—escape Afghanistan.

Autumn 2002
The CIA and Pakistan's intelligence agency try to entice Haqqani to switch sides and join the Afghan government of President Hamid Karzai. The effort collapses after U.S. military forces arrest Haqqani's brother.

October 2007
The Pentagon puts Sirajuddin Haqqani on its most wanted list for Afghanistan. The younger Haqqani has become the battelfield commander of the family militant faction, taking over for his increasingly aged and frail father.

December 2008
Sirajuddin Haqqani is suspected of having a role in the deadly attack on a CIA base in Afghanistan.

January 2009
Sirajuddin Haqqani's forces are suspected of orchestrating an attack on Kabul.



Photos: Getty images (2), Reuters (center)

beused to maintain its influence in Afghanistan after an eventual American withdrawal.

Pakistani officials deny that charge. Mr. Haqqani's central role in the insurgencies and his clear embrace of al Qaeda and the Pakistan Taliban have now prompted Pakistan's military and its spy service to consider taking action against his North Waziristan sanctuary, say Pakistani officials. Some U.S. officials, too, believe Pakistan is reconsidering its relationship with the Haqqanis.

The tone surrounding discussions about Mr. Haqqani has changed markedly in the past year. Officials in Pakistan's intelligence agency, the ISI, have gone from calling him a potential "force for peace" in Afghanistan to telling journalists that they lost nearly three dozen agents and informers in North Waziristan last year. Most were caught spying and killed by Mr. Haqqani's fighters and their Pakistan Taliban allies, the officials say.

"It's clear to all that the Haqqanis' interests and our interests, over the long term, they're not the same," said a senior Pakistani civilian official.

Any move by the Pakistanis against Mr. Haqqani appears to be months away, at the soonest. It would mark a reversal of Pakistani policy that U.S. officials say could greatly increase the chances of stabilizing the region.

Others in the younger generation of Taliban commanders include Abdullah Ghulam Rasoul, known as Mullah Zakir, who is in his mid-30s and one of the main Taliban commanders in southern Afghanistan. His five-year stint as a prisoner in Guantanamo Bay, Cuba, has given him "rock-star status" in the Taliban, said Brig. Gen. John Nicholson, the former top American commander in southern Afghanistan. (Mr. Rasoul was released in 2007 into Afghan custody.)

In Pakistan, the most powerful Taliban faction leader is Hakimullah Mehsud, 31, who is considered brutal even by other militants, say tribal elders and militants.

After three decades of almost continuous conflict in Afghanistan and more than a decade of upheaval in Pakistan's tribal areas, all these young men have little memory of life without war, said Rustam Shah Mohmand, a former Pakistani official.

But while an older generation of Afghan warlords, including Mr. Haqqani's father, had a deep pragmatic streak, the younger commanders may be much more resistant to a settlement.

"Peace talks are about bringing people into the political power structure," said Mr. Mohmand, who served as Islamabad's envoy in Afghanistan from 2001 to 2005. "I don't think this younger generation has any idea of politics or any desire to take part in them....All they've grown up around is war and fighting."

Getty Images

Guerrilla soldiers, or mujahideen, at a base in the Safed Koh Mountains, on Feb. 10, 1988.

Sirajuddin Haqqani grew up amid the struggle for Afghanistan. His father, Jalaluddin, rose to prominence in the early 1980s battling the Soviet occupation of Afghanistan. He was a favorite of the U.S., which was pouring millions of dollars into the insurgency. He also was courted by Pakistan, where he established his base and developed close ties to the country's spy agency, Inter-Services Intelligence.

But "the child didn't take to war," said Brig. Amir Sultan Tarar, a retired ISI officer known as Col. Imam, of the young Mr. Haqqani. It wasn't until his early 20s—sometime around 1990—that the younger Mr. Haqqani "became an active participant in our struggles," said Brig. Tarar.

Friends who grew up with Mr. Haqqani say a religious awakening spurred his transformation. "He saw the Arabs and their devotion and admired it," said Gul Khan, a businessman in North Waziristan who went to school with Mr. Haqqani. Some of the Arabs then fighting the Soviets, including Osama bin Laden, would go on to form the core of al Qaeda.

Those who know Sirajuddin Haqqani say he shares his father's battlefield acumen, which propelled him ahead of other siblings to assume day-to-day leadership of the militant faction in the past two or three years. His father remains titular chief.

Under Sirajuddin Haqqani, the faction has strengthened its dominance over the territory carved out by his father in the 1980s—Khost, Paktika and Paktia provinces of eastern Afghanistan. His men also have moved deeper into Afghanistan, according to U.S. military assessments.

As his stature has risen, he has begun to see himself in grandiose religious terms, according to U.S. and Pakistani officials and tribesmen in the border region. He now styles himself "Khalifa"—a title for a leader who rules Muslims in accordance with Islamic law.

In his public rhetoric, he distances himself from his father's past ties to the U.S. while claiming the same mantle of Islamic resistance to occupiers.

"My father was fighting the Russians....I am following his footprints," he said in the Journal interview. "Like today, during the Soviet era the mujahideen were fighting an occupying force and believed that foreign forces are the only obstacle which prevents peace and stability in Afghanistan."

But, he added, "My father didn't have a personal relationship with the Americans," who along with Saudi Arabia provided most of the financing for the mujahideen.

Financial aid to the mujahideen also came from wealthy Muslim donors. Those connections remain, and have provided the Haqqanis with much of the cash needed to bankroll their fight, say U.S. officials and experts.

As for Pakistan, once his father's staunchest supporter, the relationship with the son appears increasingly strained.

Pakistan has been pursuing a military campaign in South Waziristan, a tribal region bordering North Waziristan that was also a safe haven for al Qaeda and the Pakistani Taliban. Already, Mr. Haqqani is beginning to feel the pressure in his rear flank in North Waziristan, say tribal elders and militants in the region.

Residents of Miran Shah, the main city in North Waziristan, say that a number of Islamic seminaries used by the Haqqanis have been largely abandoned in the past two weeks, except for a skeleton staff of guards. The Haqqani loyalists moved out partly because they feared retaliatory U.S. strikes following the CIA attack, said Gul Khan, the tribal elder.

But "they see that there are soldiers in South Waziristan and everywhere else," he said, referring to the most recent offensive against the Pakistan Taliban, which is taking place on Mr. Haqqani's doorstep. "They're all underground now. It's a very dangerous time."

—Anand Gopal in Kabul and Yochi J. Dreazen in Kandahar, Afghanistan, contributed to this article.

FROM PAGE ONE

China's housing boom fuels growth, fears

Continued from first page
need to spend more if growth is to stay robust. According to the World Bank, the construction boom has been the main driver of private-sector investment in the past year. Other businesses remain reluctant to expand, given weakness in the global economy and excess capacity in domestic industries.

"With exports facing hard times, real estate has become an important pillar of China's economic growth," said Ji Zhu, professor of economics at Beijing Technological and Business University. "No one wants to see housing prices fall," he argued—not investors, not property developers, and certainly not government officials.

Prices of new residential property are now rising at an annualized rate of more than 20% nationwide. High-end apartments in big cities have gained much more. So far, higher prices have encouraged developers to build more housing, boosting demand for construction workers and raw materials and supporting the overall economy. Both November and December saw a record volume of construction starts, which are up 75% from a year earlier for the quarter.

Koyo Ozeki, the Tokyo-based head of Asian credit research for bond-fund manager Pacific Investment Management Co., argues that comparisons of China's real-estate boom with Japan's speculative bubble are overdone, in part because Japan's economy was much more mature in the 1980s than China's is today.

China is still far behind developed-world living standards, and with its cities expanding and incomes rising, Mr. Ozeki argues, there will be plenty of genuine demand for new housing for years to come.

But that doesn't mean that speculation isn't also a factor in the housing market, especially with wealthy Chinese investing much of their savings in property. "You do have a secular trend of increasing demand over time, but on the other hand you could still get a bubble," said Wang Tao, China economist for UBS. "On the ground, there is a certainly a bubbly feeling: People are waiting to buy luxury apartments like they are waiting in line for cabbage."

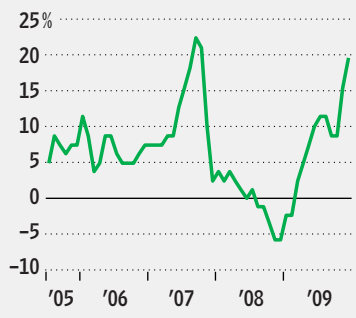
Up, up and away | A look China's property indicators

New construction is booming at an unprecedented rate . . .

New floor space started, year-to-year percentage change

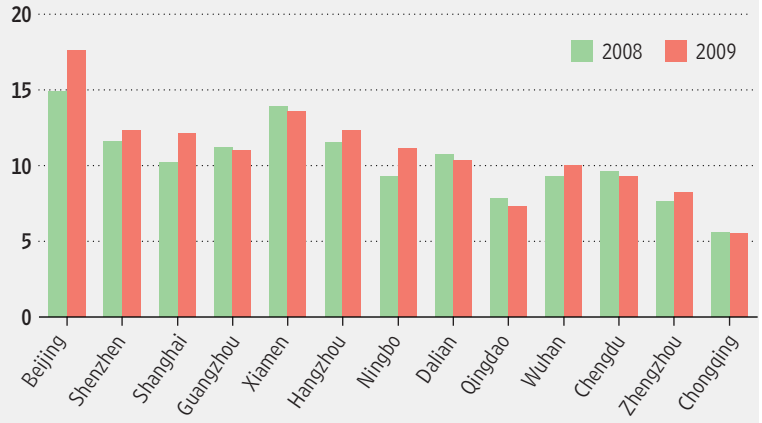
As prices surge at their fastest pace in two years. . .

National average property prices, annualized percentage change



And housing is increasingly unaffordable in big cities.

Years of income required to buy a 100 square-meter apartment



Sources: China's National Bureau of Statistics; Dragonomics

The risk is that too much new housing is being built at prices too high to ever find buyers, resulting in wasted investments and bad debts that would weaken the economy in later years. Even without a crash, a housing market that serves only a narrow slice of the urban elite could turn into a political problem for the rulers in Beijing.

The less affluent, like Huang Haiying , a 28-year-old who works for a hospital in Chengdu, have been watching the steady upward march of housing prices with dismay. She would like to buy an apartment downtown near her work, since the traffic is so bad further out from the center, but can't make the math work.

Prices in the center city have already surged well past $1,170 per square meter—and at that rate, mortgage payments on a small apartment would eat up well over half of her monthly salary. "Some of my friends and former classmates have bought houses here, but I am still watching," Ms. Huang said. "The price now is just too high, and it's hard for me to make a decision."

Housing prices in Beijing and Shanghai are now largely out of reach for middle and low-income families. China International Capital Corp., a Beijing investment bank, estimates that 20% of the urban population that can still afford homes. That is a sizable market—some 120 million people—but there are worries the rest are getting left behind.

"If the market is only focused on this small group of people, it can't go far, because they are after all limited relative to China's population of 1.3 billion people," said Wang Lina, a scholar at the Chinese Academy of Social Sciences. Two-thirds of Chinese households surveyed recently by the central bank say housing prices are too high.

Those concerns have been dramatized by a hit TV series last year called "*Woju*," or "A Snail's House," a Chinese expression meaning humble abode. The tale focuses on the difficulties a young couple faces in buying their own home in a big city modeled on Shanghai. One character becomes a government official's mistress to help her sister afford the downpayment on a new apartment.

Some young couples can afford housing only with the support of their extended families. Wang Bin, a 27-year-old employee of a telecommunications company in Beijing, paid 980,000 yuan (about $144,000) in August for a two-bedroom, 97-square-meter apartment. But he was able to afford even that modest dwelling only because his parents and those of his fiancée paid the 30% down payment.

"It seems that prices are still going up, so I better buy now. Otherwise I might not be able to afford a house in the future," Mr. Wang said. Even with the financial strain on the family, buying a house now is still a better deal than continuing to rent, he thinks. The market value of his new apartment has risen another 20% since he signed the contract.

The government has started to respond to public concerns over high housing prices, issuing a series of measures in recent weeks aimed at restricting speculative purchases. China's governing State Council acknowledged this month that price rises in some cities "have drawn great concern."

But officials are still smarting from their attempt to deflate what looked like a property bubble in late 2007 and early 2008. Its efforts then caused Chinese households to lose confidence in the market, sending sales and construction into free fall even before the worst of the global financial crisis hit.

This time, the government is treading more carefully. Its main strategy is not to crack down on the market, but to increase the supply of cheaper and subsidized housing. But developers have little incentive to build less-profitable units for low-income households. An investigation by China's legislature last year found that only 24% of public-housing investments had been completed by August.

—Sue Feng contributed to this article.

Democrats try to regroup after Senate loss

Continued from first page
istration's overhaul of financial regulation, another centerpiece bill, congressional aides said.

The loss also sparked what could become a bitter fight between liberals who urged Democrats to keep on course with health care, and centrists who argued the party needed to focus on the economy. Some of the latter suggested the party drop its health-care overhaul altogether.

A debate erupted late Tuesday among Democratic leaders and activists over how to win back independents. Massachusetts is now the third Obama-won state in the past three months where independents have swung decisively Republican.

Liberal groups, such as union officials, demanded the party stick to its guns on core issues such as health care. But party leaders called for shifting to a populist message talking about the economy and bashing Wall Street. Democrats plan to blame Republicans for the economy and align GOP candidates with their unpopular national leadership.

"The message needs to be on jobs, fiscal responsibility, and reminding people that if you turn back the clock, you're going to get the same policies that got us into this mess in the first place," said Rep. Chris Van Hollen (D., Md.), chairman of the Democrats' House campaign committee.

Associated Press

President Obama, seen here Wednesday, earlier congratulated Mr. Brown.

"Let them take a look at what happened in Massachusetts," Mr. Brown said in his victory speech Tuesday night, referring to the coming midterm elections. "What happened here in Massachusetts can happen all over the country."

At Coakley headquarters, the mood grew somber as it became clear that a loss was at hand, and some started dissecting where the campaign went wrong. In her concession speech, Ms. Coakley said she received a call from Mr. Obama, who told her, "We can't win them all." Ms. Coakley added: "Though our campaign ends tonight we know our mission goes on."

As recently as a couple of weeks ago, few gave the 50-year-old Mr. Brown, a state senator, a chance to win the special election prompted by the death of liberal icon Sen. Edward Kennedy. A Republican last held a Senate seat here in 1979. Yet polls showed Mr. Brown benefited from antigovernment sentiment, a sour economy and discontent with Mr. Obama's agenda.

The election results signal challenges for Democratic prospects in midterm elections this fall. A handful of Democrats facing competitive races have announced plans to retire, and party officials are trying to prevent more following suit. Republicans, too, face challenges as the party navigates internal strife between anti-establishment activists and the party's Washington leadership, which remains unpopular.

Democratic officials were already assessing their plans for this year's elections. Strategists said Tuesday that for the rest of the year the party must play down health care and focus on addressing voter concerns about the economy.

"You've got to focus on jobs. Nothing is more important in this economy than jobs," said Delaware Gov. Jack Markell, chairman of the Democratic Governors Association.

A faster recovery could soothe the national angst. Presidents Reagan and Clinton suffered big reversals in their first two years in office, only to rebound with the economy.

Coming almost a year to the day of his inauguration, Tuesday's result is a blow to Mr. Obama, who was elected with heavy support from independents.

Even before Mr. Brown's win, Democrats engaged in finger-pointing, with some blaming Ms. Coakley for running an ineffective campaign and others arguing that the party's national leadership and its focus on health care turned voters.

White House officials declined to take responsibility for Ms. Coakley's defeat, saying the president and his policies remain popular in Massachusetts. White House press secretary Robert Gibbs released a statement saying only that Mr. Obama had spoken to both candidates and congratulated Mr. Brown.

—Tamara Audi contributed to this article.

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Thursday, January 21, 2010 THE WALL STREET JOURNAL. asia.WSJ.com

Shiseido focuses on China, U.S.

Purchase of Bare Escentuals is viewed as vital to revenue growth amid shrinking cosmetics sales in Japan

By Mariko Sanchanta And Ayai Tomisawa

TOKYO—**Shiseido** Co., the venerated 83-year-old cosmetics company, is hoping that its planned purchase of the smaller, American cult makeup brand **Bare Escentuals** Inc. will give it a lift in the U.S. and China, where the Japanese company is currently battling American and French giants for leadership, the companies' chief executives said in a joint interview here Wednesday.

"The cosmetics market in China will likely expand exponentially from now," and the cosmetics-using population has been growing, said Shinzo Maeda, Shiseido's CEO. "Currently, it's around 60 million people and will grow to 200 million to 400 million in the near future," he said, adding, "There is very strong potential for Bare Escentuals in the Chinese market."

Steve West for The Wall Street Journal

Leslie Blodgett, CEO of Bare Escentuals, met with Shinzo Maeda, Shiseido's CEO.

Shiseido last week said it would acquire Bare Escentuals, known for starting the mineral makeup foundation craze in the U.S., for $1.7 billion, a staggering 41% premium to its average stock closing price over the past three months.

The move marked the Japanese company's largest acquisition ever. For Bare Escentuals, which generates about 85% to 90% of its sales from the U.S., the move represents a huge opportunity to expand its brand internationally.

Bare Escentuals shot to fame after its chief executive, Leslie Blodgett, started appearing on infomercials on QVC, the television shopping channel. The company is widely credited with beginning the trend of "mineral" makeup—loose powder that looks like a more natural solution than traditional cake powders and foundations. Ms. Blodgett has become something of a cosmetics superstar, with loyal consumers lining up to meet her at public appearances.

"I don't think of myself as an icon in any way. The fact that we grew so much was a big surprise...I went on TV because there was no one else to do it," said Ms. Blodgett from Shiseido's headquarters, where she joined Mr. Maeda for the interview.

"The Japanese market is a huge opportunity for us," she said. "We are opening in **Isetan** in March," she added, referring to a leading Japanese department store. "The marketing will not change; we believe our message works for all women, no matter where they live."

The company still has a tiny presence in Japan, where it sells its products through nontraditional outlets like TV shopping programs.

Ms. Blodgett will continue to head Bare Escentuals, which will remain an independent entity under Shiseido's corporate umbrella, based

Please turn to page 20

All Nippon warns about JAL package

By Yoshio Takahashi

TOKYO—Alarmed by the level of government aid to **Japan Airlines** Corp., the president of rival **All Nippon Airways** Co. warned that the state-supported overhaul could undermine competition.

ANA President and Chief Executive Shinichiro Ito said his greatest concern is that fierce price competition could break out once JAL receives a government-backed lifeline of $10 billion to support its ailing operations.

"For example, the [air ticket] market could be disrupted if discount tickets are offered as a result of JAL receiving public funds," Mr. Ito said after meeting with Ryuhei Maeda, the head of the Transport Ministry's civil-aviation bureau.

Mr. Maeda said during the meeting that the government aid is designed to help the struggling airline and won't result in an unfair competitive environment.

The tensions between ANA and the government come as JAL's bankruptcy puts the entire Japanese airline industry under focus. Transport Minister Seiji Maehara said Tuesday that the government will need to review whether two big carriers are needed in Japan to survive tough competition in the international flight business.

But Mr. Ito said Wednesday that the new open-skies pact between the U.S. and Japan and intense interest among global airlines for Asian routes indicate the industry has room for both.

JAL filed for a court-led restructuring Tuesday. The airline became Japan's largest nonfinancial firm to file for court protection, with liabilities totaling 2.32 trillion yen ($25.45 billion).

Several Japanese companies said that they will book losses from their investment in the airline.

Sojitz Corp. said it will book 15 billion yen in JAL preferred shares as a special loss.

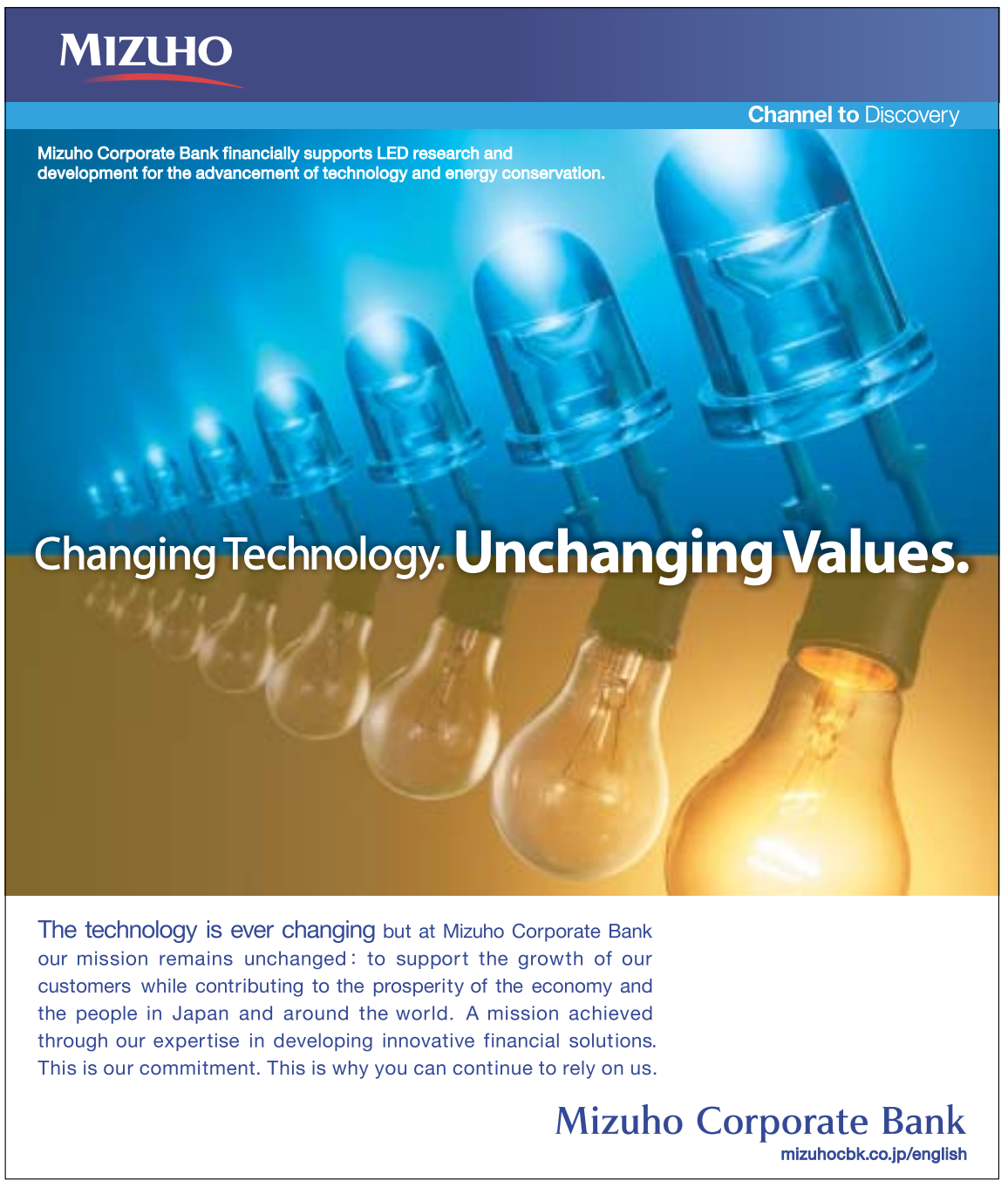
Shinkin Central Bank, a major credit union, said it may not be able to recover or may experience a delay in collecting the 25.5 billion yen that JAL owed the bank.

Still, rating services said that JAL's filing should have little impact on Japanese corporations and financial institutions.

Standard & Poor's Ratings Services said losses at creditor banks are likely to be at about a maximum of 10% of annual net operating profits, which wouldn't have a substantial impact on their financial standings.

Among six trading houses holding preferred shares in JAL, Sojitz is likely to feel the largest impact on earnings and is expected to lower its projection of 27 billion yen in net profit for the fiscal year that runs through March.

In addition to preferred stock, some trading companies have other exposure, such as derivative contracts and receivables from aircraft leasing. But S&P said these losses would have a limited impact on results, given favorable trends in the commodities markets.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Wipro bolsters its earnings

Indian software exporter cites better demand as healthier economy eases pressure on sector

By Dhanya Ann Thoppil And Romit Guha

BANGALORE, India—**Wipro** Ltd. posted a higher fiscal third-quarter net profit on Wednesday, as an improving global economy revived demand for the Indian software exporter's products and services.

The company, India's third-largest software exporter by revenue, follows bigger rivals Tata Consultancy Services Ltd. and Infosys Technologies Ltd. in reporting strong numbers for the October-December quarter, indicating the improving fortunes of a sector that is exposed more to economic developments overseas than at home.

Under international financial-reporting standards, Wipro's net profit rose 19% to 12.03 billion rupees from 10.1 billion rupees ($262.9 million) a year earlier.

Total revenue—including from information-technology services and products, as well as Wipro's consumer-care and lighting business—rose 5.6% to 69.77 billion rupees from 66.08 billion rupees.

Based on Indian accounting standards, net profit rose 21% to 12.17 billion rupees and revenue increased 5% to 69.66 billion rupees.

Business volume rose 4.7% from the second quarter, said Suresh Senapaty, Wipro's executive director and chief financial officer. The information-technology-services division attracted 31 new clients during the October-December quarter.

India's IT sector came under pressure amid the economic slowdown, as clients based mostly in the U.S. and Europe cut outsourced projects and demanded cheaper rates for products and services.

European Pressphoto Agency

Wipro Chairman Azim Premji, above in Bangalore, India, Wednesday, says demand is improving in the IT sector.

The mood in the sector is now turning upbeat, with companies saying they are luring new orders and extensions of existing contracts. "We have seen a positive demand environment, which has driven broad-based sequential growth," Wipro Chairman Azim Premji said.

Shares in Wipro pulled back Wednesday after recent gains, closing down 1.6% at 725.40 rupees on the Bombay Stock Exchange. The company's American depositary receipts were off 1.5% at $22.86 on the New York Stock Exchange at midday Wednesday.

Last week, a person familiar with the matter said Wipro was talking to investment bankers to advise it regarding a sponsored ADR issue valued at as much as $1 billion. Wipro described reports of the issue as "market rumor."

Wipro expects IT-services revenue of $1.16 billion to $1.18 billion in the fiscal fourth quarter, without considering currency volatility, compared with $1.12 billion in the previous quarter.

The outlook is based on hopes of strong business-volume growth, Mr. Senapaty said.

The forecast is "pretty robust," said Rajiv Mehta, an IT analyst at Mumbai-based India Infoline. "My sense is that earnings upgrades will happen."

The rupee appreciated more than 3% against the U.S. dollar in the just-ended quarter, hurting revenue earned from exports when converted into the local currency.

—Deepali Gupta and Shikhar Balwani in Mumbai contributed to this article.

LG Display reports profit as flat-panel prices rise

By Jung-Ah Lee

SEOUL—Flat-panel maker **LG Display** Co. said it swung to a fourth-quarter net profit as panel prices rebounded, and gave a positive outlook in a sign of improving demand for consumer electronics.

LG Display, based in South Korea, on Wednesday forecast higher average selling prices during the seasonally weak first quarter.

For the three months ended Dec. 31, LG Display reported a net profit of 478 billion won ($422.9 million), reversing a net loss of 684 billion won a year earlier.

Sales rose 46% to 6.08 trillion won from 4.16 trillion won. The company posted an operating profit of 357 billion won compared with an operating loss of 288 billion won.

For all of 2009, LG Display reported a net profit of 1.084 trillion won, down from 1.087 trillion won a year earlier. Sales rose 27% to 20.61 trillion won from 16.26 trillion won.

Average selling prices rose 5.6%.

Chief Financial Officer James Jeong said flat-panel demand is expected to remain firm.

Kevin Choi, head of the company's television-marketing division, forecast global LCD television shipments of 180 million units for 2010, up from 140 million last year.

CIC's focus for this year: emerging Asia

By Ellen Sheng And Rick Carew

HONG KONG—China's $300 billion sovereign-wealth fund will focus this year on investing in emerging markets, particularly Asian ones, where opportunities are more plentiful than elsewhere, its chairman said Wednesday.

China Investment Corp. has ramped up its investments over the past year, deploying tens of billions of dollars into global markets hoping to catch the upside in a global economic recovery. The sovereign fund has focused on many "China plays," companies that stand to benefit from China's resilient growth, such as mining companies and commodities traders.

"Because [our] capital comes from China's foreign-exchange reserves, the fund cannot invest in China, which is a pity," said CIC Chairman Lou Jiwei, speaking at the Asian Financial Forum in Hong Kong. He said there are plenty of opportunities in emerging markets, which have come through the financial crisis stronger than developed economies.

CIC, which performed well through the financial crisis mostly by keeping its holdings in cash, has made a number of investments into Chinese companies' overseas share offerings in Hong Kong.

Securing a pre-initial public offering investment, called a "cornerstone investment," from CIC is quickly becoming a major goal for investment bankers. IPO sponsors hope that an investment from CIC will indicate the company's strategic value for China to other potential investors and provide a potential source of future capital for the company.

Mr. Lou declined to specify which Asian markets the fund might invest in but said he is particularly interested in taking direct stakes in firms and in placing funds with outside managers.

The sovereign-wealth fund is also looking at other emerging markets, he said. The fund has made some initial contacts in Brazil and Russia, he said. In October, the firm invested $300 million to buy a 45% stake in Russia-linked Nobel Oil Group.

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Corrections & Amplifications

The National Science Board establishes the policies of the National Science Foundation. A World News article Monday about the board's biennial report on science and engineering incorrectly said it was the advisory body of the foundation.

A bet on restoring Alico's credibility

In pursuing Japan insurer tainted by parent AIG, MetLife sees strong sales channel and potential growth market

By Alison Tudor
And Atsuko Fukase

TOKYO—**MetLife** Inc.'s multibillion-dollar pursuit of **American International Group** Inc.'s American Life Insurance Co. marks a bold bet that the No. 1 life insurer in the U.S. can restore the reputation of a scandal-tainted company highly dependent on the troubled economy of Japan.

Alico, as it is known, generates about 70% of its revenues globally from Japan, having built a business over four decades in selling cancer and medical policies. .

The AIG unit has suffered in recent years from the calamitous problems of its parent, the huge accidental leak of sensitive customer information, and a weak financial environment that has chased other U.S.-based firms from the market.

But MetLife would also be acquiring a business that has considerable residual strengths in Japan and would be entering a market that, with a rapidly aging population, could offer fresh growth opportunities, despite the broader economic weakness.

"Alico still has a strong sales channel and a brand, so if MetLife acquires Alico's operations, its credibility will be restored," said Masao Muraki, an analyst at Daiwa Capital Markets.

Bloomberg News

The Alico name is prominent on the AIG building in Tokyo.

The AIG unit distributes its products through financial institutions, mail-order service, agencies and consultants. It had about 200 offices, 4,600 consultants and 10,000 agents in Japan as of the end of March.

Alico started in Japan in the 1970s and became one of the country's leading insurers by hawking its products on television commercials—a radical move for an insurer in the 1980s. It also tapped over-the-counter sales in banks and, more recently, online. According to a corporate-image survey in 2008, Alico Japan's name recognition among the public was 99.2%.

However, its brand has had to endure uncertainty in the wake of AIG's near collapse and the U.S. government rescue. Alico's ranking in terms of premiums fell to No. 5 as of March from No. 4 a year earlier. For the six months ended Sept. 30, Alico Japan saw premium income fall 16%, as banks stopped selling policies. AIG companies in Japan are phasing out the AIG brand on documentation including business cards to try to minimize the fallout.

Customer confidence in Alico has also been dented by a local scandal. In March 2008, credit-card information involving 32,359 Alico clients was taken from a computer terminal at a Chinese contractor. In the following months, the life insurer received inquiries from more than a thousand policyholders worried they had been billed for purchases they hadn't made. The incident prompted the local financial regulator to call on Alico to check its internal controls on policyholders' personal information.

The financial crisis has damaged business for foreign firms across the Japanese market. **Prudential** PLC this month decided to stop new policy sales by its Japanese life-insurance business.

But Alico Japan officials say they have already started to recover from the disgrace of their parent. "Financial institutions have gradually restarted sales after understanding that we are on a clear path toward independence and appreciating that we took good care of our customers," said Ai Otsu, a spokeswoman.

And executives within the AIG group still believe there is growth potential in the country's cancer- and medical-insurance sectors, especially as demand is fueled by the aging population.

Alico rival **Aflac** has developed a substantial presence in Japan, as well. Aflac generates about 70% of its revenue in Japan and is the No. 1 seller of cancer-insurance products in the country.

In contrast, MetLife has a small presence in Japan. It distributes variable-annuity products over the network of a domestic company, **Mitsui Sumitomo Insurance Group Holdings**.

Variable annuities are a hard sell in Japan now, because conservative consumers are worried about equity markets' volatility. The local unit of U.S.-based **Hartford Financial Services Group** was a large seller of annuities in Japan but decided to stop selling new policies last year.

One possible new threat to foreign insurers in Japan could come from a recent decision by the new government to scrap the planned privatization of the postal system. Controlling assets valued at 304 trillion yen ($3.34 trillion), **Japan Post Holdings** Co. is one of the world's largest financial institutions. Had it been privatized, Japan Post likely would have shrunk in size and lost most of its government backing.

Japan Post has begun to diversity its product offerings and is weighing entry into a growing array of insurance products, notably cancer insurance. Foreign insurers fear the reversal will leave them facing market-distorting competition from a government-backed rival.

Honda plans to build another China plant

By Hiroyuki Kachi
And Norihiko Shirouzu

BEIJING–**Honda Motor** Co. and a joint-venture partner in China said they will build a new plant, Honda's fifth in China, to keep up with surging demand in the world's biggest auto market.

With an initial investment of 15.4 billion yen ($169 million), Dongfeng Honda Automobile Co., a 50-50 joint venture Honda runs with **Dongfeng Motor Group** Co., will build the plant about four kilometers northeast of its existing plant in Wuhan, in central Hubei province. Honda has a similar venture with **Guangzhou Automobile Industry Group** Co.

Honda Chief Executive Takanobu Ito said the Japanese auto maker, through the two joint ventures, sold 580,000 cars last year, up about 23% from a year earlier. Its sales, he said, exceeded the joint ventures' combined capacity, without overtime and weekend work, to produce 560,000 vehicles a year, prompting it to build a second plant in Wuhan.

Mr. Ito said Wednesday that he expects overall Honda sales in China this year to grow to more than 630,000 vehicles, up about 10% from 2009. "China is one of our most important markets in the world," he said at a press conference in Wuhan.

The new plant is expected to begin operations during the second half of 2012, with an annual production capacity of 60,000 vehicles.

Over time, through additional investment, Dongfeng Honda expects to increase the facility's annual capacity to 240,000 vehicles, Mr. Ito said. The decision to boost output in China comes as auto sales rose sharply last year, growing 46% from a year earlier to 13.6 million vehicles, helped by government stimulus measures.

In Wuhan, Dongfeng and Honda started production of the CR-V crossover car in April 2004 and added the Civic compact car in 2006 and another model in 2009. Mr. Ito declined to say what model is going to be built at the new plant.

When the plant begins production, Honda's overall annual automobile-making capacity in China is expected to total 710,000 vehicles.

Nissan, meanwhile, plans to start selling its first small car in India beginning in July and will export the vehicle later this year as part of its strategy to make the country a global manufacturing hub, the chief executive of its local unit said.

"We are well on track to open the new factory in March. Production will start in May, and the first hatchback on the V platform will be sold from July," Kiminobu Tokuyama, who is also Nissan Motor India's managing director, said in an interview. A small car will likely help Nissan to tap the growing Indian market, where annual sales are expected to nearly triple to three million vehicles by 2016. Small cars account for nearly two-thirds of total car sales in India.

—Patricia Jiayi Ho and Santanu Choudhury contributed to this article.

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Samsung, Rambus settle row

Korean electronics giant agrees to pay up to $900 million in dispute over memory chips

By Don Clark And Jung-Ah Lee

Samsung Electronics Co. agreed to pay as much as $900 million over five years to **Rambus** Inc. as part of a deal to settle some high-profile litigation focusing on memory chips.

Under the agreement—which includes new technology collaboration between the companies—Samsung will make an upfront payment to Rambus of $200 million, plus quarterly payments of about $25 million over five years, the companies said. Samsung, of South Korea, also agreed to buy $200 million worth of newly issued Rambus stock.

Samsung said the settlement won't have a significant effect on its earnings because it had already set aside provisions..

Jay Koo, an analyst at Kyobo Securities, said there is now a higher possibility that **Hynix Semiconductor** Inc. may also settle with Rambus.

In another suit, Rambus also accused Hynix, Samsung and **Micron Technology** Inc. of violating antitrust laws by conspiring to boycott Rambus technology. That case was scheduled to start trial in San Francisco state court last week, but was put on hold following a motion by Micron because of a health issue facing one of its lawyers.

Hynix spokesman Park Hyun said Wednesday the company is still awaiting trial and didn't elaborate further. Micron couldn't immediately be reached.

Bloomberg News

Rambus's headquarters in Los Altos, Calif. in 2008. The company settled a patent-infringement case against Samsung.

Rambus, of Los Altos, Calif., has developed technology that is designed to accelerate the performance of memory chips. The company has been involved in a series of lawsuits, including patent-infringement actions Rambus filed against Samsung and other memory-chip makers—as well as counterclaims that Rambus improperly misled standard-setting bodies about its plans to patent its inventions.

Under the settlement, Samsung will no longer face those claims, but the case against the other defendants continues, said Sharon Holt, Rambus senior vice president of licensing and marketing.

Ms. Holt said the Samsung stock investment contains a put option under which Rambus would repurchase about half the shares after 18 months, if Samsung exercises the option. She added that there is "some variability" to the quarterly payments to Rambus, based on Samsung's sales volume.

As part of plans to collaborate in the future, the companies said they have signed a memorandum of understanding related to "a new generation of memory technologies," that combines the two companies' innovations.

BHP iron-ore production increases 11%

By Alex Wilson

BHP Billiton posted record iron-ore production and said it is selling more of the key steel ingredient under short-term pricing, boding well for earnings.

Iron-ore production for its fiscal second quarter rose 11% from a year earlier to a record 32.45 million metric tons.

The Anglo-Australian mining company on Wednesday said 54% of the ore shipped from its key operations in the Pilbara region of Western Australia was sold at benchmark prices, with the remainder sold on shorter-term spot and indexed sales.

The report appeared to show that BHP Chief Executive Marius Kloppers is making progress in his drive away from traditional benchmark, contract pricing to an indexed system that more closely reflects market movements.

With the spot price of iron ore trading about 90% above the current benchmark, BHP's ability to sell material at spot and indexed prices is likely to increase earnings.

Bloomberg News

A BHP train carried iron ore in northwestern Australia a year ago.

BHP said demand from China and restocking in the more-developed markets drove the strong recovery seen in commodity prices. But the miner remained cautious in its outlook and said it remained uncertain about the speed of the recovery in developed economies and the impact of Chinese measures to control loan growth.

"We expect some degree of volatility in the short-term outlook for our commodities," the company said.

RBS analyst Warren Edney said BHP's iron-ore output in the quarter, which ended Dec. 31, was about 4% higher than expected and that the only area of weakness was coking coal. Production of the commodity dropped 12% to 8.9 million tons, in part because of scheduled maintenance at its Queensland Coal property.

Nickel production rose 20% to 49,000 tons as output reached a record at the Nickel West business.

BHP has dramatically reshaped its nickel business with the sale of the failed Ravensthorpe mine and the Yabulu refinery but has dismissed reports that it is considering exiting the remainder of its nickel business.

Total petroleum production rose 16% to 38.4 million barrels of oil equivalent. That was down 7% from a bumper first quarter because of lower seasonal demand in Australia and scheduled downtime at Gulf of Mexico properties.

Copper production fell 12% from a year earlier to 271,100 tons because of an outage at its Olympic Dam mine.

BHP said it still expects to restart the damaged Clark shaft at the mine this quarter.

Dr. Reddy's posts unexpected consolidated net loss

By Rumman Ahmed

BANGALORE—Indian drug maker **Dr. Reddy's Laboratories** Ltd. unexpectedly swung to a consolidated net loss for the third quarter because of a write-down of intangible assets and goodwill related to its German operations.

The company posted a consolidated net loss of 5.22 billion rupees ($114 million) for the quarter that ended Dec. 31, compared with a net profit of 2.45 billion rupees a year earlier.

The company said the results included a noncash write-down of intangible assets amounting to 3.46 billion rupees and a noncash write-down of goodwill amounting to 5.15 billion rupees.

The write-down was a result of a steep price erosion in the German market, where health-care insurance providers have switched to a tender-based model for the supply of generic drugs.

Excluding the one-time charge, profit after tax for the quarter was 2.31 billion rupees, the company said in a statement.

Consolidated revenue at the New York-listed company fell 6% to 17.30 billion rupees from 18.40 billion rupees. The numbers conform to International Financial Reporting Standards, the company said.

Analysts were expecting Dr. Reddy's revenue to fall as the year-earlier quarter had benefited from exclusive U.S. sales of sumatriptan succinate—a generic version of **GlaxoSmithKline**'s anti-migraine drug Imitrex.

Shiseido sees China, U.S. sales as vital

Continued from page 17

in San Francisco.

She said she first learned of the offer when Mr. Maeda sent her a letter, explaining his company's intentions.

"I needed to learn more about the culture," Ms. Blodgett said. "Shiseido was a little mysterious to me, but we have very similar core values," she said. "[Shiseido's offices] are so beautiful and we like our mess. You see a lot of creative people in blue jeans [at Bare Escentuals]."

Shiseido's headquarters building is nestled inconspicuously in the heart of Tokyo. Japan's largest cosmetics company doesn't take appearances lightly: three receptionists in matching pink suits stand up and bow ceremoniously whenever a guest appears. A small Zen garden with spherical plants sits on the executive floor.

The purchase of Bare Escentuals is a significant step toward two Shiseido sales targets. The first: to exceed one trillion yen ($11 billion) by 2017, up from 690 billion yen for the fiscal year that ended last March. The second: for global business to account for more than half of its revenue, up from 38% currently, amid shrinking sales in Japan.

"We are still working toward building a stable presence in the natural cosmetics area in the global market, and we have a lot to learn from Bare Escentuals," said Mr. Maeda, a lifelong employee of Shiseido who hails from Osaka, in western Japan.

Beyond Bare's knowledge of the U.S. and the mineral cosmetics sector, the smaller American partner has succeeded using marketing techniques relatively foreign to Shiseido. "Direct marketing is something Bare Escentuals has expertise in, which is something we don't have," Mr. Maeda said.

Shiseido faces challenges turning the $1.7 billion acquisition into a success. Japanese women are finicky cosmetics buyers, and the trend over the past few years has been "bihaku" products, which literally means "beautiful white." The products, many of which have been pioneered by Shiseido, promise to whiten a woman's complexion.

"Shiseido is currently fighting an increasingly uphill battle in Japan," Daiwa Securities Capital Markets analyst Katsuro Hirozumi wrote in a report, adding that a key is whether Shiseido can popularize direct marketing methods and mineral foundations.

Wakako Sato, an analyst at Mizuho Securities, said she expects the Bare acquisition to add an operating profit contribution of about 10 billion yen annually, even after amortization of goodwill. "By developing the Bare Escentuals brand in Japan and elsewhere in Asia, we expect an increase in growth opportunities for Shiseido," Ms. Sato wrote in a report.

As for Ms. Blodgett, she said that she will begin spending more of her time in Tokyo and that she is planning to give Shiseido executives a tour of the Bare Escentuals office in San Francisco.

"Maeda san has not been to our office yet, but I look forward to his reaction," she said.

Trading drop damps Morgan Stanley profit

By Joe Bel Bruno

NEW YORK—**Morgan Stanley**, still struggling to rebound from the credit crisis, on Wednesday reported that a steep drop in trading revenue damped fourth-quarter profits.

The world's largest brokerage posted a profit of $617 million, or 29 cents a share, on $6.8 billion of revenue for the last three months of 2009. The results fell shy of analysts' projections for a profit of 36 cents per share on revenue of $7.8 billion.

Though results fell short of expectations, they still mark back-to-back quarterly profits after three straight losses. Morgan Stanley's top executives view the results as a triumph after dialing back risk in 2009 to overhaul a firm that almost toppled during the financial crisis.

Morgan Stanley also increased compensation during its transitional year, which rose to $14.43 billion from $11.1 billion in 2008. Rebounding compensation on Wall Street has set off a political firestorm following the government's bailout of the banking industry.

Chief Executive James Gorman, who succeeded John Mack earlier this month, believes changes at the firm will deliver strong results this year. In addition to shaking up top management, Morgan Stanley hired hundreds of traders and continues to integrate a joint venture with Citigroup Inc.'s Smith Barney unit.

"While the environment remains extremely fluid, we are confident the steps we have taken this year will ensure that Morgan Stanley remains well-positioned," Mr. Gorman said in a statement.

After Morgan Stanley's near-death experience in 2008, Mr. Mack dialed back on risk to clean up the balance sheet and to steady earnings. The strategy caused the firm to fall behind rivals J.P. Morgan Chase & Co. and Goldman Sachs Group Inc. Morgan Stanley has since tried to re-energize itself by hiring 350 more traders.

The securities firm said its Value at Risk, known on Wall Street as VaR, rose to $132 million in the fourth quarter from $105 million in the prior year and $118 million in the third quarter. It stands for the maximum that could potentially be lost trading on a single day.

Revenue for fixed-income sales and trading hit $700 million, which included a $500 million charge because the tightening of Morgan Stanley's credit spreads increased the value of its liabilities. On the equities side, Morgan Stanley posted revenues of $700 million that included a loss of $200 million from credit-spread tightening.

Colm Kelleher, co-president of institutional securities who was chief financial officer during the fourth quarter, said the firm expected a sluggish period in trading. However, he still believes trading is "the engine room" of the company's business and should flourish this year after lay-offs during the crisis.

The fourth-quarter results, he said, are a far cry from the pain suffered in the year-ago period. The firm had a loss of $10.95 billion, or $11.35 a share, on negative revenue of $13 billion because of large losses in the institutional-securities business. Year-ago results were recalculated because last year the bank was on a different earnings calendar.

BofA posts a narrower loss

Wells Fargo swings to profit, adding to round of improved results a year after meltdown

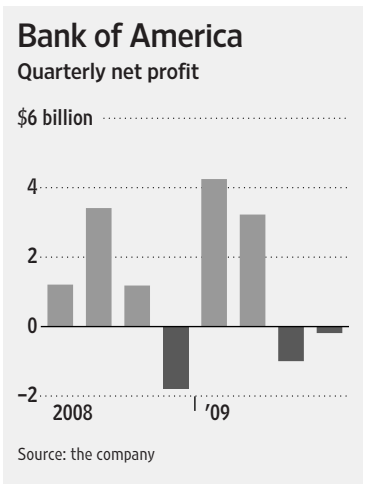
By Marshall Eckblad And Nathan Becker

Bank of America Corp. and **Wells Fargo** & Co. reported improved fourth-quarter results— with Bank of America coming closer to the black and Wells swinging to a profit—joining peers that have also posted better results a year after the depths of the financial crisis.

Bank of America and Wells Fargo each set aside less money for bad loans in the fourth quarter, signaling improved forecasts for consumers' financial health, even though bad loans at both big banks continued to rise.

The two lenders' lighter provisions—or costs to offset current and future loan losses—helped each to improve results.

Bank of America's Chief Executive Brian Moynihan said Wednesday during a conference call that losses from soured loans have slowed. "There were several positive trends in the quarter. First, credit quality appears to be stabilizing, if not improving," he said. Trends this quarter are "supporting our comments in October that overall credit costs were peaking."



"Although we believe we saw the peak in the third quarter, net loss levels remain elevated for the next several quarters," he said.

Bank of America posted a loss of $194 million in the period before counting a $4 billion charge it swallowed to refund the U.S. Treasury's crisis-hour investment in the bank. Wells Fargo earned $2.8 billion before counting its own $2.2 billion charge for repaying U.S. taxpayers.

Both banks accepted billions of dollars in support from the federal government during the last 18 months—in Bank of America's case, twice—as public officials rushed to stabilize a reeling banking system.

In recent days, other big banks such as **J.P. Morgan Chase** & Co. and **Citigroup** Inc. improved their earnings from a year ago as financial firms gain distance on the worst days of the financial crisis last year.

Bank of America turned in revenue of $25 billion, down for the third-straight quarter, as its one-time frothy trading revenue fell sharply but many of its consumer-focused businesses turned in roughly flat net income.

Bank of America has a strong investment bank, following its purchase of **Merrill Lynch** a year ago. But the Charlotte, N.C., bank's overall performance is heavily dependent on consumers and the economy, especially unemployment, which has a direct effect on borrowers' ability to make their monthly loan payments.

The bank took permanent losses of $8.4 billion from bad loans, down 12% over the previous quarter, but it added $1.4 billion to its $38.7 billion in reserves for future losses. Bank of America's levels of past-due loans rose again, even as the bank brightened its economic forecasts and said its costs from bad loans are likely peaking.

Wells Fargo's losses from bad loans were up 6% over the prior quarter to $5.4 billion, even though losses on credit-card loans declined for the second consecutive quarter. The San Francisco bank's levels of nonperforming assets rose nearly 18% over the last quarter to $27.6 billion.

Wells Fargo swung to a profit of $2.82 billion, or eight cents a share, from a year-earlier loss of $2.73 billion, or 84 cents a share. Revenue rose to a record $22.7 billion.

—Matthias Rieker contributed to this article.

Bofa poaches RBS traders in Australia

By Enda Curran

SYDNEY—Bank of America-Merrill Lynch's Australia branch on Wednesday poached a group of almost a dozen traders and sales officials from rival **Royal Bank of Scotland Group** PLC's fixed-income and currency-trading desks, a person familiar with the matter said.

The move by the arm of **Bank of America** Corp. is part of an effort to enhance the bank's presence in interest rates and currency trading in Australia.

A spokeswoman for RBS confirmed a number of employees had tendered their resignations, on an individual basis, but wouldn't confirm how many have left the bank.

She said the resignations were drawn from the bank's fixed income sales, corporate sales and trading desks.

"This is not going to impact our ability to continue business as usual," she said.

Topping the list of new hires from RBS is Chris Thomas, who will head the Bank of America-Merrill Lynch fixed-income, currencies and commodities sales and trading desk in Sydney. Mr. Thomas, who was head of Delta trading at RBS, is among 10 or 11 RBS colleagues who will move, the person familiar with the matter said.

Included in those who resigned are bond and credit traders, people familiar with the matter said.

It is the second major swoop by the U.S. bank in Sydney, having last year hired a number of the UBS AG's real estate team.

The move comes in the wake of news earlier this week that French bank Société Générale SA had largely shifted its fixed-income and currency operations to Hong Kong.

RBS said although the vacated positions will be filled, no new hires have been made.

Fed chairman defends aid to AIG, seeks full review

By Judith Burns

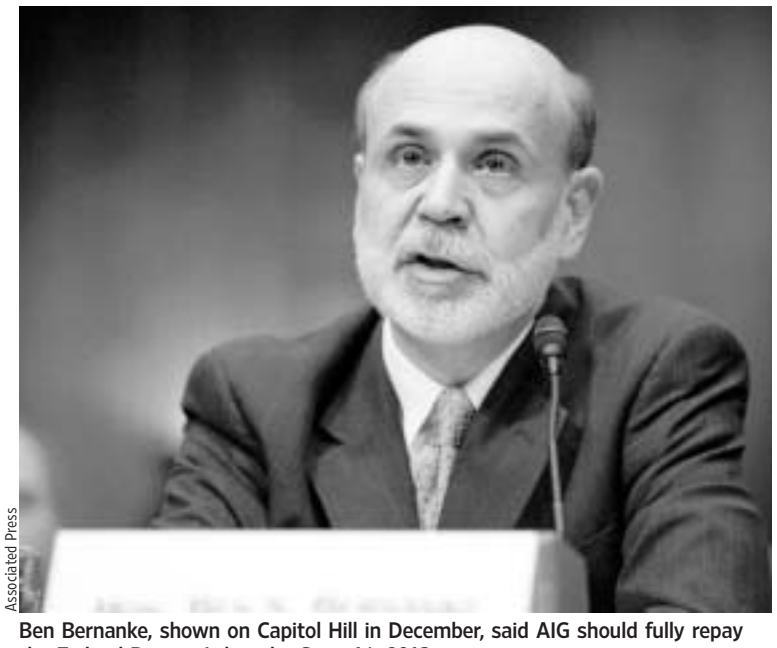
WASHINGTON—Federal Reserve Board Chairman Ben Bernanke defended the central bank's decision to extend credit to **American International Group** Inc. and said the Fed would welcome a full review of its actions by government watchdogs.

In a letter to Acting Comptroller General Gene Dodaro on Tuesday, Mr. Bernanke said the Fed agreed to provide billions of dollars of aid to the insurance giant to prevent "potentially calamitous effects on the U.S. economy" should AIG fail.

"The Federal Reserve extended this credit to prevent the immediate disorderly failure of the company, an event that likely would have led to a significant intensification of an already severe financial crisis and a further worsening of global economic conditions," Mr. Bernanke wrote in the letter to the Government Accountability Office, which was released by the Fed.

Given the questions about the AIG assistance, Mr. Bernanke said the Fed would welcome a full review by the GAO and will make available "all records and personnel necessary to conduct this review."

Mr. Bernanke's call for closer scrutiny comes amid criticism of the Fed's 2008 decision to extend more than $180 billion to AIG, helping the insurer make good on derivatives contracts with financial firms.


Associated Press

Ben Bernanke, shown on Capitol Hill in December, said AIG should fully repay the Federal Reserve's loan by Sept. 16, 2013.

Under arrangements negotiated by the Fed, AIG counterparties, including Goldman Sachs Group Inc. and Société Générale SA, received full payment on $62.1 billion of derivatives contracts, avoiding deeply discounted payouts had AIG gone bankrupt.

Critics have assailed the Fed for supporting AIG at taxpayer expense, but Mr. Bernanke said the assistance included taxpayer protections. He said the Fed and the Treasury insisted AIG bring in new top management and hand over stock ownership to the U.S. He said the Fed's loan to AIG is fully secured and should be repaid by Sept. 16, 2013.

Efforts by the New York Federal Reserve Bank to limit disclosure about the transactions have come under fire in Congress.

Current and former top Fed and Treasury Department officials, including Treasury Secretary Timothy Geithner, are set to testify to the House Oversight and Government Reform Committee on Jan. 27.

Responding to complaints about Fed secrecy, Mr. Bernanke said the central bank has publicized a large amount of information about the AIG loan and provides the public and Congress with weekly and monthly reports on assistance to AIG.

Rep. Darrell Issa (R., Ca.), the senior Republican on the panel, said in a statement that "I have asked repeatedly that documents from both the Treasury and the Fed be provided to the oversight committee so that we can gain a full picture of what really happened, who knew what and how is it that the American people were kept in the dark for so long."

"If the Fed is as vested in oversight and transparency as they claim in this letter, they should be quick to provide us with all the support we need to complete this bipartisan investigation," Mr. Issa said.

—Sudeep Reddy contributed to this article.

Japanese yields mixed prior to 20-year auction

By Miho Nakauchi

TOKYO—Japanese government-bond yields were narrowly mixed ahead of an auction of 20-year paper due Thursday.

BOND MARKETS

The benchmark 10-year yield edged up 0.005 percentage point to 1.33%, but the five-year yield eased 0.005 percentage point in the wake of a smooth five-year auction Tuesday.

The government will sell 1.1 trillion yen ($12.07 billion) of 20-year debt Thursday. The results could turn out solid as the coupon may be set at 2.2%, higher than the current yield of 2.14%, Mitsubishi UFJ Securities senior strategist Naomi Hasegawa said.

Tetsuya Miura, chief market analyst at Mizuho Securities, said rises in longer-term yields may be capped next week if the yen resumes its upward climb, again raising expectations the Bank of Japan may take further easy monetary steps.

Among Asian borrowers, talk now is that Chinese property developer **Evergrande Real Estate Group** Ltd. is looking to pay a yield of around 13% for its proposed benchmark-sized U.S. dollar-denominated global bond.

Evergrande hasn't finalized the issue size but it is in the market for an offering of $500 million.

—Ditas Lopez in Singapore contributed to this article.

Treasurys prices rally

By Min Zeng

The Treasury market became a haven on Wednesday, as investors dumped riskier assets from U.S. stocks to commodities on fears that China could rein in bank lending in coming months, which could damp a global economic recovery.

U.S. CREDIT MARKETS

Long-dated Treasurys led the buying. The 10-year note's yield touched 3.632%, the lowest since 3.52% on Dec. 21.

Worries about growth further increased following U.S. economic data showing a plunge in housing starts, which overshadowed an increase in building permits. Meantime, continued concern over the fiscal health of Greece spurred buying in Treasurys and German government debt.

As of 11:32 a.m. EST, the price of the two-year Treasury note was 2/32 higher at 100 8/32, to yield 0.8658%. The 10-year note was up 16/32, or $5 for each $1,000 invested, at 97 25/32, pushing the yield down to 3.64%, as prices and yields move inversely.

Rusal IPO likely to price above middle

By Amy Or And Alexander Kolyandr

HONG KONG—Russian aluminum giant **UC Rusal** Ltd. has support, including from French insurer **AXA** SA, for its dual Hong Kong and Paris initial public offering and will likely price the deal above the midpoint of its indicative price range, people familiar with the situation said Wednesday.

Based on the size and quality of the order book, the company's price guidance, which has been sent to all investors, is HK$10.80 to HK$12.00 (US$1.39 to US$1.55) a share, the people said.

IPO FOCUS

Rusal is selling 1.61 billion shares in an indicative range of HK$9.10 to HK$12.50, to raise US$2.59 billion. It has the option of increasing the deal size 15% to raise US$2.9 billion. Pricing is set for Thursday.

The people declined to comment on the amount of orders received. They said demand came from quality institutional investors, including leading sovereign-wealth funds in Asia, the Middle East and Europe, as well as Hong Kong tycoons.

"We see enough demand from institutional investors for the IPO to go ahead at the lower end of the range, even without the support of the cornerstones. Thus, we expect the pricing to be rather high, reflecting the rise in nickel and aluminum prices in recent months," one of these people said.

Rusal's order book was covered just three days after book building started Jan. 12, with 40% of the deal taken by four so-called cornerstone investors. The investors were: Malaysian tycoon Robert Kuok; Russian state development bank **Vneshekonombank**; **NR Investment** Ltd., the investment vehicle of Nathaniel Rothschild; and investment company **Paulson & Co.**, the hedge fund run by John Paulson.

Hong Kong blue-chip company **Cheung Kong (Holdings)** Ltd. said last week it had subscribed to US$100 million of Rusal shares.

French business daily La Tribune reported on Monday that AXA planned to take a "significant stake" in Rusal. The French insurer declined to comment Wednesday.

FUND SCORECARD

HF Distressed Securities

These funds specialize in financially troubled companies. Bankruptcy, distressed sales, or reorganizations are some opportunities. Ranked on % total return (dividends reinvested) in U.S. dollars for one year ending January 20, 2010

Leading 10 Performers

FUND RATING *	FUND NAME	FUND MGM'T CO.	CURR.	LEGAL BASE	% Return in $US ** YTD	1-YR	2-YR	5-YR
3	**Contrarian Capital Fund I**	Contrarian Capital Management LLC	USD	United States	**41.95**	41.95	1.98	6.41
4	**Wexford Credit Opportunities LP**	Wexford Capital LLC	USD	United States	**37.86**	37.86	12.98	11.17
4	**Wexford Offshore Credit Opts Limited**	Wexford Capital LLC	USD	Cayman Isl	**37.86**	37.86	12.99	11.18
2	**Third Avenue Special Situations LP**	Third Avenue Management	USD	Cayman Isl	**36.94**	36.94	-4.50	0.98
NS	**PSAM Rebound Partners LP**	P Schoenfeld Asset Mgmt LP(NY)	USD	Cayman Isl	**41.94**	35.10	NS	NS
NS	**PSAM Rebound Fund Ltd**	P Schoenfeld Asset Mgmt LP(NY)	USD	Cayman Isl	**41.88**	35.05	NS	NS
2	**Contrarian European Fund, L.P.**	Contrarian Capital Management LLC	EUR	United States	**26.06**	26.06	-11.54	-1.26
2	**DDJ Credit Opportunities Fund**	DDJ Capital Management, LLC	USD	United States	**31.68**	24.69	-7.79	NS
2	**Contrarian Select Equity, L.P.**	Contrarian Capital Management LLC	USD	United States	**24.31**	24.31	2.76	0.67
3	**Contrarian Capital Senior Secured Fund**	Contrarian Capital Management LLC	USD	United States	**22.07**	22.07	1.25	6.02

NOTE: Changes in currency rates will affect performance and rankings.
KEY: ** 2YR and 5YR performance is annualized
NA-not available due to incomplete data;
NS-fund not in existence for entire period

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
AHW Top-Div.Int.	GL	EQ	LUX	01/19	EUR	53.99	-1.2	28.8	-24.5

AllianceBernstein

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
Am Eq Blend A	OT	OT	LUX	01/19	USD	10.67	2.9	38.8	-8.8
Am Eq Blend B	US	EQ	LUX	01/19	USD	10.02	2.8	37.4	-9.7
Am Growth A	US	EQ	LUX	01/19	USD	31.73	1.6	44.5	0.0
Am Growth AX	US	EQ	LUX	01/19	USD	34.26	1.6	45.4	0.6
Am Growth B	US	EQ	LUX	01/19	USD	26.66	1.5	43.0	-1.0
Am Growth C	US	EQ	LUX	01/19	USD	28.70	1.6	43.8	-0.3
Am Growth I	US	EQ	LUX	01/19	USD	35.18	1.6	45.6	0.8
Am Income A	US	BD	LUX	01/19	USD	8.52	1.1	25.1	6.0
Am Income A2	US	BD	LUX	01/19	USD	19.31	1.4	25.1	6.0
Am Income A2	OT	OT	NA	01/19	HKD	149.92	1.2	NS	NS
Am Income AT	OT	OT	NA	01/15	HKD	66.20	1.2	NS	NS
Am Income AT	US	BD	LUX	01/19	USD	8.53	1.4	25.1	6.0
Am Income B	US	BD	LUX	01/19	USD	8.52	1.1	24.1	5.2
Am Income B2	US	BD	LUX	01/19	USD	16.63	1.3	24.2	5.2
Am Income B2	OT	OT	NA	01/19	HKD	129.11	1.2	NS	NS
Am Income BT	OT	OT	NA	01/19	HKD	66.54	1.2	NS	NS
Am Income BT	US	BD	LUX	01/19	USD	8.57	1.3	24.2	5.2
Am Income C	US	BD	LUX	01/19	USD	8.52	1.1	24.5	5.5
Am Income C2	US	BD	LUX	01/19	USD	24.74	1.4	24.6	5.5
Am Income I	US	BD	LUX	01/19	USD	8.52	1.1	25.9	6.7
Am Value A	US	EQ	LUX	01/19	USD	8.77	2.8	24.0	-9.0
Am Value B	US	EQ	LUX	01/19	USD	8.07	2.8	22.8	-9.9
Am Value C	US	EQ	LUX	01/19	USD	8.77	2.8	23.5	-9.4
Am Value I	US	EQ	LUX	01/19	USD	9.45	2.9	25.2	-8.3
Emg Mkts Debt A	GL	BD	LUX	01/19	USD	15.73	1.1	44.8	8.6
Emg Mkts Debt A2	GL	BD	LUX	01/19	USD	20.39	1.4	45.0	8.6
Emg Mkts Debt AT	GL	BD	LUX	01/19	USD	15.82	1.4	45.0	8.6
Emg Mkts Debt B	GL	BD	LUX	01/19	USD	15.73	1.1	43.5	7.5
Emg Mkts Debt B2	GL	BD	LUX	01/19	USD	19.62	1.3	43.5	7.5
Emg Mkts Debt BT	GL	BD	LUX	01/19	USD	15.79	1.3	43.5	7.5
Emg Mkts Debt C	GL	BD	LUX	01/19	USD	15.73	1.1	44.2	8.1
Emg Mkts Debt C2	GL	BD	LUX	01/19	USD	20.03	1.4	44.3	8.1
Emg Mkts Debt I	GL	BD	LUX	01/19	USD	15.73	1.1	45.6	9.2
Emg Mkts Growth A	GL	EQ	LUX	01/19	USD	35.28	1.8	86.7	-8.3
Emg Mkts Growth B	GL	EQ	LUX	01/19	USD	29.89	1.8	84.8	-9.2
Emg Mkts Growth C	GL	EQ	LUX	01/19	USD	30.58	1.8	85.9	-8.6
Emg Mkts Growth I	GL	EQ	LUX	01/19	USD	39.13	1.9	88.2	-7.5
Eur Growth A	OT	OT	LUX	01/19	USD	10.36	3.1	32.8	-11.7
Eur Growth A	OT	OT	LUX	01/19	EUR	7.25	3.1	32.8	-11.7
Eur Growth B	OT	OT	LUX	01/19	EUR	6.52	3.2	31.7	-12.6
Eur Growth B	OT	OT	LUX	01/19	USD	9.32	3.2	31.7	-12.6
Eur Growth C	EU	EQ	LUX	01/19	EUR	5.49	3.0	32.3	-12.1
Eur Growth I	OT	OT	LUX	01/19	USD	11.30	3.1	34.1	-11.0
Eur Growth I	OT	OT	LUX	01/19	EUR	7.91	3.1	34.1	-11.0
Eur Income A	OT	OT	LUX	01/19	EUR	6.75	2.3	37.2	5.5
Eur Income A	OT	OT	LUX	01/19	USD	9.65	2.3	37.2	5.5
Eur Income A2	OT	OT	LUX	01/19	EUR	13.20	2.6	37.1	5.5
Eur Income A2	OT	OT	LUX	01/19	USD	18.86	2.6	37.1	5.5
Eur Income AT	EU	BD	LUX	01/19	EUR	6.75	2.6	36.9	5.5
Eur Income B	OT	OT	LUX	01/19	EUR	6.75	2.3	36.3	4.8
Eur Income B	OT	OT	LUX	01/19	USD	9.65	2.3	36.3	4.8
Eur Income B2	OT	OT	LUX	01/19	EUR	12.27	2.5	36.0	4.7
Eur Income B2	OT	OT	LUX	01/19	USD	17.54	2.5	36.0	4.7
Eur Income BT	EU	BD	LUX	01/19	EUR	6.75	2.4	36.1	4.7
Eur Income C	OT	OT	LUX	01/19	EUR	6.75	2.3	36.6	5.1
Eur Income C	OT	OT	LUX	01/19	USD	9.65	2.3	36.6	5.1
Eur Income C2	OT	OT	LUX	01/19	EUR	13.15	2.5	36.4	5.0
Eur Income C2	OT	OT	LUX	01/19	USD	18.79	2.5	36.4	5.0
Eur Income I	OT	OT	LUX	01/19	EUR	6.75	2.3	37.8	6.1
Eur Income I	OT	OT	LUX	01/19	USD	9.65	2.3	37.8	6.1
Eur Strat Value A	OT	OT	LUX	01/19	EUR	8.72	2.2	36.7	-15.4
Eur Strat Value A	OT	OT	LUX	01/19	USD	12.46	2.2	36.7	-15.4
Eur Strat Value I	OT	OT	LUX	01/19	EUR	8.93	2.2	37.8	-14.7
Eur Strat Value I	OT	OT	LUX	01/19	USD	12.76	2.2	37.8	-14.7
Eur Value A	OT	OT	LUX	01/19	EUR	9.39	2.1	40.8	-12.2
Eur Value A	OT	OT	LUX	01/19	USD	13.42	2.1	40.8	-12.2
Eur Value B	OT	OT	LUX	01/19	USD	12.33	2.0	39.4	-13.1
Eur Value B	OT	OT	LUX	01/19	EUR	8.63	2.0	39.4	-13.1
Eur Value C	OT	OT	LUX	01/19	USD	12.98	2.1	40.3	-12.6
Eur Value C	OT	OT	LUX	01/19	EUR	9.08	2.1	40.3	-12.6
Eur Value I	OT	OT	LUX	01/19	USD	15.51	2.2	42.0	-11.5
Eur Value I	OT	OT	LUX	01/19	EUR	10.85	2.2	42.0	-11.5
Gl Balanced (Euro) A	OT	OT	LUX	01/19	USD	16.73	2.1	26.7	-7.6
Gl Balanced (Euro) B	OT	OT	LUX	01/19	USD	16.29	2.1	25.4	-8.5
Gl Balanced (Euro) C	OT	OT	LUX	01/19	USD	16.61	2.1	26.4	-7.9
Gl Balanced (Euro) I	OT	OT	LUX	01/19	USD	17.05	2.1	NS	NS
Gl Balanced A	US	BA	LUX	01/19	USD	16.82	2.1	32.2	-7.1
Gl Balanced B	US	BA	LUX	01/19	USD	15.98	2.0	30.9	-8.0
Gl Balanced C	OT	OT	LUX	01/19	USD	16.57	2.0	31.8	-7.3
Gl Balanced C	OT	OT	LUX	01/19	EUR	11.59	2.0	31.8	-7.3
Gl Balanced I	US	BA	LUX	01/19	USD	17.45	2.1	33.1	-6.4
Gl Bond A	US	BD	LUX	01/19	USD	9.34	1.1	13.7	4.6
Gl Bond A2	US	BD	LUX	01/19	USD	16.21	1.2	13.7	4.5
Gl Bond A2	OT	OT	NA	01/19	HKD	125.85	1.2	13.7	4.5
Gl Bond AT	OT	OT	LUX	01/19	HKD	72.51	1.3	13.7	4.6
Gl Bond AT	US	BD	LUX	01/19	USD	9.34	1.3	13.7	4.6
Gl Bond B	US	BD	LUX	01/19	USD	9.34	1.1	12.6	3.5
Gl Bond B2	US	BD	LUX	01/19	USD	14.19	1.2	12.5	3.5
Gl Bond B2	OT	OT	NA	01/19	HKD	110.17	1.2	12.5	3.5
Gl Bond BT	OT	OT	LUX	01/19	HKD	72.75	1.2	12.6	3.5
Gl Bond BT	US	BD	LUX	01/19	USD	9.37	1.2	12.6	3.5
Gl Bond C	US	BD	LUX	01/19	USD	9.34	1.1	13.2	4.1
Gl Bond C2	US	BD	LUX	01/19	USD	14.06	1.2	13.2	4.1
Gl Bond I	US	BD	LUX	01/19	USD	9.34	1.1	14.3	5.2
Gl Conservative A	US	BA	LUX	01/19	USD	15.09	1.5	20.1	-2.2
Gl Conservative A2	US	BA	LUX	01/19	USD	17.18	1.5	20.1	-2.2
Gl Conservative B	US	BA	LUX	01/19	USD	15.07	1.4	18.9	-3.2
Gl Conservative B2	US	BA	LUX	01/19	USD	16.31	1.4	18.9	-3.2
Gl Conservative C	US	BA	LUX	01/19	USD	15.08	1.5	19.6	-2.6
Gl Conservative C2	US	BA	LUX	01/19	USD	16.80	1.4	19.6	-2.6
Gl Conservative I	US	BA	LUX	01/19	USD	15.16	1.5	21.1	-1.4
Gl Eq Blend A	GL	EQ	LUX	01/19	USD	11.97	2.7	44.6	-15.6
Gl Eq Blend B	GL	EQ	LUX	01/19	USD	11.22	2.5	42.9	-16.5
Gl Eq Blend C	GL	EQ	LUX	01/19	USD	11.75	2.5	43.8	-16.0
Gl Eq Blend I	GL	EQ	LUX	01/19	USD	12.63	2.7	45.7	-14.9
Gl Growth A	GL	EQ	LUX	01/19	USD	42.90	2.4	41.0	-16.6
Gl Growth B	GL	EQ	LUX	01/19	USD	35.80	2.3	39.6	-17.4
Gl Growth C	GL	EQ	LUX	01/19	USD	41.16	2.4	40.3	-17.0
Gl Growth I	GL	EQ	LUX	01/19	USD	47.65	2.4	42.1	-15.9
Gl High Yield A	US	BD	LUX	01/19	USD	4.43	2.3	59.5	6.7
Gl High Yield A2	US	BD	LUX	01/19	USD	9.51	2.7	59.0	6.6
Gl High Yield A2	OT	OT	NA	01/19	HKD	73.83	2.7	59.0	6.6
Gl High Yield AT	OT	OT	NA	01/19	HKD	34.16	2.8	58.9	6.6
Gl High Yield AT	US	BD	LUX	01/19	USD	4.40	2.8	58.9	6.6
Gl High Yield B	US	BD	LUX	01/19	USD	4.43	2.3	57.5	5.4
Gl High Yield B2	US	BD	LUX	01/19	USD	15.29	2.8	57.6	5.6
Gl High Yield B2	OT	OT	NA	01/19	HKD	118.71	2.8	57.6	5.6
Gl High Yield BT	OT	OT	NA	01/19	HKD	34.70	2.5	57.3	5.5
Gl High Yield BT	US	BD	LUX	01/19	USD	4.47	2.5	57.3	5.5
Gl High Yield C	US	BD	LUX	01/19	USD	4.43	2.3	58.6	6.2
Gl High Yield C2	US	BD	LUX	01/19	USD	14.10	2.8	58.4	6.2
Gl High Yield I	US	BD	LUX	01/19	USD	4.43	2.3	60.6	7.4
Gl Thematic Res. A	OT	OT	LUX	01/19	USD	15.04	2.1	78.6	3.9
Gl Thematic Res. B	OT	OT	LUX	01/19	USD	13.15	2.0	76.7	2.9
Gl Thematic Res. I	OT	OT	LUX	01/19	USD	16.78	2.1	80.0	4.8
Gl Value A	GL	EQ	LUX	01/19	USD	11.46	2.9	48.3	-14.7
Gl Value B	GL	EQ	LUX	01/19	USD	10.52	2.7	46.7	-15.6
Gl Value C	GL	EQ	LUX	01/19	USD	11.13	2.8	47.6	-15.1
Gl Value I	GL	EQ	LUX	01/19	USD	12.19	2.9	49.4	-14.0
Greater China A	AS	EQ	LUX	01/19	USD	40.51	1.2	69.1	-11.0
Greater China B	AS	EQ	LUX	01/19	USD	35.83	1.2	67.4	-11.9
Greater China C	AS	EQ	LUX	01/19	USD	39.99	1.2	68.3	-11.4
India Growth A	OT	OT	LUX	01/19	USD	130.63	2.9	NS	NS
India Growth AX	OT	OT	LUX	01/19	USD	114.20	2.9	99.9	-6.1
India Growth B	OT	OT	LUX	01/19	USD	136.77	2.9	NS	NS
India Growth BX	OT	OT	LUX	01/19	USD	97.57	2.9	98.0	-7.0
India Growth I	EA	EQ	LUX	01/19	USD	118.38	3.0	100.8	-5.7
Int'l Health Care A	OT	EQ	LUX	01/19	USD	142.60	3.7	23.4	-5.9
Int'l Health Care B	OT	EQ	LUX	01/19	USD	120.22	3.7	22.1	-6.9
Int'l Health Care C	OT	EQ	LUX	01/19	USD	136.63	3.7	22.8	-6.4
Int'l Health Care I	OT	EQ	LUX	01/19	USD	155.87	3.8	24.4	-5.2
Int'l Technology A	OT	EQ	LUX	01/19	USD	111.50	1.0	56.9	-4.5
Int'l Technology B	OT	EQ	LUX	01/19	USD	96.57	1.0	55.4	-5.5
Int'l Technology C	OT	EQ	LUX	01/19	USD	107.73	1.0	56.2	-5.0
Int'l Technology I	OT	EQ	LUX	01/19	USD	125.07	1.1	58.2	-3.8
Japan Eq Blend A	JP	EQ	LUX	01/19	JPY	6284.00	4.3	24.9	-15.9
Japan Eq Blend B	JP	EQ	LUX	01/19	JPY	6060.00	4.2	23.6	-16.7
Japan Eq Blend C	JP	EQ	LUX	01/19	JPY	6182.00	4.3	24.3	-16.2
Japan Growth A	JP	EQ	LUX	01/19	JPY	6028.00	2.6	16.8	-16.8
Japan Growth B	JP	EQ	LUX	01/19	JPY	5814.00	2.6	15.7	-17.6
Japan Growth C	JP	EQ	LUX	01/19	JPY	5931.00	2.6	16.3	-17.1
Japan Strat Value A	JP	EQ	LUX	01/19	JPY	6471.00	5.7	32.4	-15.5
Japan Strat Value B	JP	EQ	LUX	01/19	JPY	6247.00	5.7	31.1	-16.3
Japan Strat Value C	JP	EQ	LUX	01/19	JPY	6362.00	5.7	31.8	-15.9
Real Estate Sec. A	OT	EQ	LUX	01/19	USD	14.54	1.3	51.8	-10.0
Real Estate Sec. B	OT	EQ	LUX	01/19	USD	13.28	1.2	50.2	-10.9
Real Estate Sec. I	OT	EQ	LUX	01/19	USD	15.63	1.4	52.9	-9.3
Short Mat Dollar A	US	BD	LUX	01/19	USD	7.33	0.8	12.2	-5.2
Short Mat Dollar A2	US	BD	LUX	01/19	USD	9.90	1.1	12.1	-5.2
Short Mat Dollar AT	US	BD	LUX	01/19	USD	7.33	1.1	12.2	-5.2
Short Mat Dollar B	US	BD	LUX	01/19	USD	7.33	0.8	11.7	-5.6
Short Mat Dollar B2	US	BD	LUX	01/19	USD	9.85	1.1	11.7	-5.6
Short Mat Dollar BT	OT	OT	LUX	01/19	USD	7.35	1.1	11.1	-5.8
Short Mat Dollar C	US	BD	LUX	01/19	USD	7.33	0.8	11.7	-5.6
Short Mat Dollar C2	US	BD	LUX	01/19	USD	13.92	1.1	11.5	-5.6
Short Mat Dollar I	US	BD	LUX	01/19	USD	7.33	0.8	12.8	-4.6

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
Alexandra Convertible Bond Fund I, Ltd. (Class A)	OT	OT	VGB	11/30	USD	1616.75	66.9	72.1	NS

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
CPS-Master Priv Fund	GL	OT	WSM	01/19	USD	99.90	-0.1	21.4	20.6

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
Platinm-All Star	OT	OT	CYM	10/30	USD	95.07	13.2	5.7	-13.4
Platinm-All Weather	OT	OT	USA	10/31	USD	129.92	2.4	3.2	3.8
Platinm-Dynasty	OT	OT	USA	11/30	USD	113.20	10.2	10.7	-29.6
Platinm-Emancipation	OT	OT	USA	11/30	USD	90.86	21.4	24.1	-9.4
Platinm-Equity Plus	OT	OT	USA	05/29	USD	35.02	-18.2	-63.7	-45.6
Platinm-Gbl Dividend	OT	OT	CYM	10/30	USD	60.64	29.4	15.3	-31.8
Platinm-Nordic	OT	OT	CYM	10/30	SEK	607.79	11.4	9.7	-18.3
Platinm-Premier	OT	OT	CYM	12/31	USD	21.20	-55.9	-66.0	-44.3
Platinm-Turnberry	OT	OT	USA	11/30	USD	57.51	NS	NS	-33.7

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
Superfund Cayman*	OT	OT	CYM	01/12	USD	45.19	10.8	-43.5	-2.7
Superfund GCT USD*	GL	EQ	LUX	01/12	USD	2419.00	10.2	-31.7	-0.6
Superfund Green Gold A (SPC)	OT	OT	CYM	01/12	USD	1049.52	8.8	-6.3	6.6
Superfund Green Gold B (SPC)	OT	OT	CYM	01/12	USD	1038.90	11.0	-19.2	3.3
Superfund Q-AG*	OT	OT	AUT	01/12	EUR	6990.00	5.6	NS	3.8

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
Winton Evolution EUR Cls H	OT	OT	CYM	12/31	EUR	945.08	NS	NS	NS
Winton Evolution GBP Cls G	OT	OT	CYM	12/31	GBP	949.08	NS	NS	NS
Winton Evolution USD Cls F	OT	OT	CYM	12/31	USD	1199.12	-5.4	-5.4	2.0
Winton Futures EUR Cls C	OT	OT	VGB	12/31	EUR	196.82	-4.4	-4.4	7.7
Winton Futures GBP Cls D	OT	OT	VGB	12/31	GBP	212.85	-4.1	-4.1	8.7
Winton Futures JPY Cls E	OT	OT	VGB	12/31	JPY	13885.82	-5.9	-5.9	5.0
Winton Futures USD Cls B	OT	OT	VGB	12/31	USD	699.39	-4.6	-4.6	7.4

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MARKETS

China, Greece spook U.S., Europe markets

By Donna Kardos Yesalavich And Peter A. McKay

NEW YORK—U.S. stocks fell Wednesday as fears of another tightening in China's monetary policy combined with rising pressure on Greece's finances to kill the excitement over the Massachusetts Senate race that fueled Tuesday's rally.

ABREAST OF THE MARKET

In addition, a report from **International Business Machines** that initially looked stellar was met with investor disappointment, the latest indication that expectations likely became too high for corporate fourth-quarter earnings reports. IBM shares fell 3.4%.

The **Dow Jones** Industrial Average was down 181.15 points, or 1.7%, at 10544.28 in midday trade. That puts it on track to become the Dow's biggest one-day loss so far this year, topping the 101-point drop on Friday.

Kraft Foods fell 2.7% after Warren Buffett, the company's biggest investor, gave a big thumbs-down to Kraft's deal to buy **Cadbury** for $19.44 billion. Investors don't have a vote on the deal.

Bank of America was the Dow's only component in the black, up 0.9%, as its fourth-quarter report showed signs of stabilization in its consumer loan books.

The Standard & Poor's 500-share index was down 1.5% to 1132.88. The tech-heavy Nasdaq Composite fell 1.8% to 2279.28,

"The market right now is coming back to reality," said John Stoltzfus, senior market strategist at **Ticonderoga Securities**. "To use the timeworn phrase, we really aren't out of the woods yet."

European stocks

Miners tumbled amid speculation that China has ordered a curb on bank lending, pushing the the pan-European Dow Jones Stoxx 600 index down 1.5% to 256.30.

Diversified miner **Rio Tinto** fell 4.3% and coal and copper miner **Xstrata** fell 6.2%, both in London.

Worries about Greece's budget problems pressured Greek stocks, and the Greek ASE Composite index fell 3.4% to 2030.28. Yields on Greek 10-year debt jumped worries that Greece may have trouble finding financing—and pay dearly for the money it can get.

Among other national indexes, the German DAX index lost 2.1% to 5851.53, the French CAC-40 index shed 2% to 3928.95 and the U.K. FTSE 100 index fell 1.7% to 5420.80

Chip-equipment maker **ASML Holding** climbed 3.1% after it swung to a fourth-quarter net profit.

Groupe Eurotunnel shares fell 3.2% after its 2009 revenue fell 16% because of the weaker economy. Travel on the firm's Eurostar trains was halted for three days after five trains broke down.

Q-Cells shares fell 4% after Germany's environmental minister proposed a 15% cut subsidies it gives solar-power providers.

Dollar gains on euro-zone, China fears

By Bradley Davis

NEW YORK—The dollar soared against its rivals Wednesday, as continuing concerns over sovereign debt in the euro zone and news China may put further brakes on economic growth led investors to flood into the greenback.

CURRENCY MARKETS

The euro hit a series of intraday lows—sinking below $1.41—and continued to trade at its lowest levels since August 2009.

The spread between stressed Greek government bonds and German bonds—considered the benchmark for the euro zone—widened considerably, putting further pressure on the common currency, said Adam Boyton, currency strategist at Deutsche Bank in New York.

Midday Wednesday, the euro was at $1.4090 from $1.4302 late Tuesday. The dollar was at 91.21 yen from 91.13 yen, while the euro was at 128.51 yen from 130.34 yen. The U.K. pound was at $1.6278 from $1.6382. The dollar was at 1.0452 Swiss francs from 1.0322 francs.

The euro sank sharply against the dollar, but also against the yen and the U.K. pound, and some analysts openly floated the idea that Greece's debt problems could spread to other euro-zone members, even eventually threatening the monetary union.

"The euro itself is not under threat," Mr. Boyton said.

Shanghai, Hong Kong sink on tightening fears

By Colin Ng and Philip Vahn

Shanghai stocks tumbled 2.9% and Hong Kong shares dropped 1.8% Wednesday, as concerns that China may step up tightening measures to cool its economy slammed the banking and resource sectors.

ASIAN-PACIFIC STOCKS

Most other regional markets were also lower, with several markets declining or paring early gains after the Chinese banking regulator said the nation's banks were expected to make fewer loans this year than in 2009.

Among Asian resource firms, **Angang Steel** slumped 5.2% and **Yunnan Copper** dropped 4.2% in Shenzhen, **Baoshan Iron & Steel** fell 5.1% in Shanghai, and **Zhaojin Mining Industry** sank 3.7% in Hong Kong. **Alumina** dropped 1.9% and **Fortescue Metals** slipped 0.6% in Sydney.

In Shanghai, the composite index dropped 95.02 points to 3151.85. Banks slid after the state-run China Securities Journal, citing several unnamed sources, reported that the China Banking Regulatory Commission has asked several commercial banks to stop issuing new loans in the remaining days of January.

China's top banking regulator, Liu Mingkang, denied the report but said banks were expected to issue about 7.5 trillion yuan ($1.1 trillion) in new loans in 2010 as compared with 9.59 trillion yuan in 2009, reflecting efforts to rein in bank lending, which nearly doubled last year.

Bank of China fell 1.7% in Shanghai and 3.4% in Hong Kong. A person familiar with the situation told Dow Jones Newswires the lender had ordered its officials to stop making new yuan loans.

Among other major lenders, **China Construction Bank** fell 2.4% in Shanghai and 3.1% in Hong Kong, **Industrial & Commercial Bank of China** lost 2.6% in both Shanghai and Hong Kong, and **China Citic Bank** fell 3.9% in Shanghai and 4.1% in Hong Kong.

"After the increase in the one-year bill yield by People's Bank of China [Tuesday], strong Chinese [gross domestic product] data would very likely fuel further expectations of further tightening moves by China," said Sebastien Barbe, head of emerging-markets research at Calyon. Several economists are anticipating economic data due Thursday will show fourth-quarter growth topped 10%.

In Hong Kong, the Hang Seng Index fell 391.81 points to 21286.17.

Retailer **Esprit Holdings** slid 4.4% likely because of worse-than-expected economic data from Germany, Esprit's single biggest market.

In Tokyo, the Nikkei Stock Average of 225 companies declined 0.3% to 10737.52. Investors were cautious ahead of the Chinese data Thursday. Brokerage firms and shippers weakened. **Nomura Holdings** fell 3.8% and **Mitsui O.S.K. Lines** fell 2.1%.

Japan Airlines dropped one yen to finish at two yen after filing for bankruptcy protection Tuesday.

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Concentra AE	EU	EQ	DEU	01/20	EUR	52.36	0.4	48.5	-8.0
Industria AE	EU	EQ	DEU	01/20	EUR	73.70	3.0	40.7	-11.9
InternRent AE	EU	BD	DEU	01/20	EUR	36.06	2.4	0.9	9.1

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
CAM-GTF Limited	AS	EQ	MUS	01/08	USD	290385.55	5.8	115.3	5.2

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
GAM Arbitrage Op	OT	OT	VGB	01/08	USD	1265.58	1.8	24.9	-7.6
GAM Asia Eq Hdg JPY Op	GL	EQ	VGB	01/18	JPY	16277.25	4.8	82.9	8.1
GAM Asia Equity Hedge US	OT	OT	VGB	01/18	USD	302.56	4.2	80.2	5.5
GAM Asia Equity USD	OT	OT	VGB	01/19	USD	663.80	1.5	78.4	-8.5
GAM Asia-Pacific Eq USD	OT	OT	VGB	01/19	USD	1349.82	5.2	32.1	-11.7
GAM Com Glb Bal EUR Op	US	BA	VGB	01/11	EUR	95.98	2.1	17.6	-7.3
GAM Com Glb Bal USD Op	US	BA	VGB	01/11	USD	130.50	2.1	17.6	-7.3
GAM Comp Glb Eq EUR Op	GL	EQ	VGB	01/11	EUR	99.19	3.0	25.8	-13.2
GAM Comp Glb Eq USD Op	GL	EQ	VGB	01/11	USD	131.35	3.0	25.8	-13.2
GAM Comp Glb Gr EUR Op	US	BA	VGB	01/11	EUR	86.93	2.4	18.4	-10.9
GAM Comp Glb Gr USD Op	US	BA	VGB	01/11	USD	130.10	2.4	18.4	-10.9
GAM CompAbsRT EUR Op	OT	OT	VGB	09/30	EUR	141.71	9.1	0.1	-6.9
GAM CompAbsRT SGD Op	OT	OT	VGB	09/30	SGD	102.21	9.2	-0.1	-8.3
GAM CompAbsRT USD Op	OT	OT	VGB	09/30	USD	845.66	9.5	0.7	-7.0
GAM Cptal Apprec Eq Inc	US	EQ	VGB	01/15	USD	250.49	0.7	36.6	-8.7
GAM Cross Trading Inc	OT	OT	VGB	01/11	USD	468.70	0.6	NS	NS
GAM Diversity CHF Op	OT	OT	VGB	01/11	CHF	95.00	0.7	4.2	-6.4
GAM Diversity EUR Op	OT	OT	VGB	01/11	EUR	653.49	0.8	5.0	-4.8
GAM Diversity USD 2.5XL	OT	OT	VGB	01/11	USD	79.73	1.8	9.5	NS
GAM Diversity USD Op	OT	OT	VGB	01/11	USD	686.19	0.8	NS	NS
GAM Dvrsty II CHF Op	OT	OT	VGB	01/11	CHF	100.26	0.8	NS	NS
GAM Dvrsty II EUR Op	OT	OT	VGB	01/11	EUR	139.86	0.8	4.6	-5.0
GAM Dvrsty II USD Op	OT	OT	VGB	01/11	USD	211.83	0.8	NS	-5.3
GAM DvrstyIII EUR Op	OT	OT	VGB	01/11	EUR	116.48	0.8	4.6	-5.1
GAM DvrstyIII USD Op	OT	OT	VGB	01/11	USD	122.95	0.8	4.7	-5.3
GAM Euro Eq Hdg EUR Op	EU	EQ	VGB	01/18	EUR	221.34	1.2	10.8	-3.1
GAM Euro Eq Hdg USD Op	OT	OT	VGB	01/18	USD	205.57	1.1	11.6	-1.5
GAM European Equity USD	OT	OT	VGB	01/18	USD	300.80	2.6	40.3	-8.7
GAM GAMCO	OT	EQ	VGB	01/12	USD	826.64	2.0	34.1	-7.8
GAM Gb EmMkts Hdg EUROp	OT	OT	VGB	01/18	EUR	98.42	0.6	14.2	-16.8
GAM Gb EmMkts Hdg USDOp	OT	OT	VGB	01/18	USD	103.80	0.6	14.8	-16.1
GAM Gbl Divers USD Inc.	GL	EQ	VGB	01/18	USD	261.83	4.8	28.4	-4.9
GAM Grtr China Eq Hdg Op	GL	EQ	VGB	01/18	USD	299.67	4.5	120.9	24.0
GAM Intrst Trend II	GL	BD	VGB	12/31	USD	94.13	42.5	42.5	-9.1
GAM Intrst Trend Inc	OT	OT	VGB	01/11	USD	264.08	5.0	59.6	-4.9
GAM Japan Eq Hdg EUR Op	AS	EQ	VGB	01/18	EUR	127.11	8.9	13.8	-1.2
GAM Japan Eq Hdg USD Op	OT	OT	VGB	01/18	USD	132.25	8.4	NS	NS
GAM Japan Eq Hdg YEN Open	AS	EQ	VGB	01/18	JPY	9104.39	8.3	17.9	-13.0
GAM Japan USD	JP	EQ	VGB	01/19	USD	1186.89	7.6	20.5	-11.6
GAM Japan YEN	JP	EQ	VGB	01/19	JPY	9411.56	6.6	23.4	-17.1
GAM Money Mkt EuroOp	EU	MM	VGB	01/18	EUR	51.15	0.1	0.2	1.6
GAM Money Mkt USD	US	MM	VGB	01/18	USD	100.01	0.1	0.0	0.8
GAM Multi-Arb EUR Op	OT	OT	VGB	01/11	EUR	112.27	1.0	0.2	-8.9
GAM Multi-Arb USD Op	OT	OT	VGB	01/11	USD	117.23	1.0	0.3	-9.2
GAM Multi-China EUR Op	OT	OT	VGB	01/11	EUR	170.26	1.4	14.2	NS
GAM Multi-China USD Op	OT	OT	VGB	01/11	USD	179.02	1.4	14.8	-9.0
GAM Multi-Emer Mkts GBP	OT	OT	VGB	01/11	GBP	134.06	1.9	26.4	-1.3
GAM Multi-Emer Mkts USD	OT	OT	VGB	01/11	USD	663.25	1.9	26.4	-1.6
GAM Multi-Eur EUR Op	OT	OT	VGB	01/11	EUR	271.61	1.0	7.8	-8.6
GAM Multi-Eur II EUR Op	OT	OT	VGB	01/11	EUR	139.75	1.0	7.8	-8.6
GAM Multi-Eur II USD Op	OT	OT	VGB	01/11	USD	114.21	1.0	7.4	-9.6
GAM Multi-Eur USD Op	OT	OT	VGB	01/11	USD	472.47	1.0	7.5	-9.5
GAM Multi-Nth Am EUR Special	OT	OT	VGB	01/11	EUR	134.58	0.4	NS	NS
GAM Multi-Nth Am USD Special	OT	OT	VGB	01/11	USD	219.04	0.4	11.7	NS
GAM Multi-Pac EUR Op	GL	EQ	VGB	01/11	EUR	145.27	1.3	6.6	-3.7
GAM Multi-Pac USD Op	OT	OT	VGB	01/11	USD	167.58	1.3	6.7	-4.1
GAM Portable Dvr/S&P500	OT	OT	VGB	08/24	USD	70.11	17.7	-27.7	-22.9
GAM Selection Hdg	US	EQ	VGB	01/08	USD	2723.40	3.2	72.0	10.5
GAM Sing/Malaysia	AS	EQ	VGB	01/19	USD	2613.82	3.5	66.7	-6.9
GAM Sterling Spe Bd Inc	OT	OT	VGB	01/11	GBP	235.41	2.4	42.5	3.5
GAM Trading EUR Inc	OT	OT	VGB	01/11	EUR	327.16	0.6	5.6	6.6
GAM Trading USD Inc	OT	OT	VGB	01/11	USD	978.98	0.6	5.9	5.9
GAM Trdg II IncEUR Op	OT	OT	VGB	01/11	EUR	139.92	0.6	5.5	6.5
GAM Trdg II IncUSD Op	OT	OT	VGB	01/11	USD	317.88	0.6	5.9	6.0
GAM Trdg IV IncEUR Op	OT	OT	VGB	01/11	EUR	147.67	0.6	5.4	6.2
GAM Trdg IV IncUSD Op	OT	OT	VGB	01/11	USD	155.46	0.6	5.6	5.9
GAM Trdg V IncEUR Op	OT	OT	VGB	01/11	EUR	125.24	0.6	5.4	6.1
GAM Trdg V IncUSD Op	OT	OT	VGB	01/11	USD	130.39	0.6	5.5	5.9
GAM TrdgIII IncEUR Op	OT	OT	VGB	01/11	EUR	158.02	0.6	5.5	6.3
GAM TrdgIII IncUSD Op	OT	OT	VGB	01/11	USD	163.50	0.6	5.6	5.9
GAM USDSpecBondInc	US	BD	VGB	01/11	USD	550.65	3.9	75.8	8.1
GAM Worldwide	GL	EQ	VGB	01/18	USD	2263.34	1.7	37.9	-6.1
GAMut Investments	OT	OT	VGB	01/13	USD	7649.45	0.9	5.2	8.1

GAM Star Fund Plc

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
GAMStar-AsEqCHF Ord Ac	AS	EQ	IRL	01/18	CHF	11.08	0.4	59.9	-11.7
GAMStar-AsEqEUR Ord Ac	AS	EQ	IRL	01/18	EUR	12.04	1.1	64.0	-7.0
GAMStar-AsEqGBP Ord Ac	AS	EQ	IRL	01/18	GBP	1.57	0.3	60.5	1.0
GAMStar-AsEqUSD Ord Ac	AS	EQ	IRL	01/18	USD	13.60	1.4	78.1	-7.5
GAMStar-AsPacEqEUR Acc	AS	EQ	IRL	01/18	EUR	107.34	6.1	27.9	-8.9
GAMStar-AsPacEqEUR Inc	AS	EQ	IRL	01/18	EUR	103.88	6.1	28.0	-8.9
GAMStar-ContEurEqEUR Ac	EU	EQ	IRL	01/18	EUR	11.19	1.7	31.3	-5.9
GAMStar-EurpEqEUR Acc	EU	EQ	IRL	01/18	EUR	187.08	2.2	31.4	-8.3
GAMStar-EurpEqEUR Inc	EU	EQ	IRL	01/18	EUR	170.94	2.2	31.3	-8.3
GAMStar-EurpEqUSD Acc	EU	EQ	IRL	01/18	USD	16.41	2.6	42.5	-8.7
GAMStar-EurpEqUSD Inc	EU	EQ	IRL	01/18	USD	14.88	2.6	42.5	-8.7
GAMStar-FrontierOppUSD Acc	GL	EQ	IRL	01/18	USD	5.50	0.2	27.8	NS
GAMStar-JpnEq EUR Acc	JP	EQ	IRL	01/18	EUR	96.01	9.1	18.3	-7.7
GAMStar-JpnEq EUR Inc	JP	EQ	IRL	01/18	EUR	96.01	9.1	18.3	-7.7
GAMStar-JpnEq JPY Acc	JP	EQ	IRL	01/18	JPY	993.97	7.9	24.7	-16.4
GAMStar-JpnEq USD Acc	JP	EQ	IRL	01/18	USD	12.15	9.3	21.5	-11.0
GAMStar-World EqUSD Acc	GL	EQ	IRL	01/18	USD	2276.37	1.7	38.8	-5.6

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MANULIFE ASSET MANAGEMENT TEL:(852)2108 1110

Internet:http://www.manulife.com.hk 47/F Manulife Plaza, Causeway Bay, Hong Kong

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
American Growth	US	EQ	LUX	01/20	USD	15.53	0.6	31.3	-7.8
American Growth AA	US	EQ	LUX	01/20	USD	0.89	0.6	30.9	-5.9
Asian Equity	AS	EQ	LUX	01/20	USD	2.46	1.5	77.9	-6.2
Asian Equity AA	AS	EQ	LUX	01/20	USD	0.79	1.5	77.3	-6.5
Asian Sm Cap Equity AA	AS	EQ	LUX	01/20	USD	1.21	5.2	106.8	-1.3
China Value A	AS	EQ	LUX	01/20	USD	7.10	0.5	74.9	-2.2
China Value AA	AS	EQ	LUX	01/20	USD	2.23	0.5	74.4	-2.5
Dragon Growth	AS	EQ	LUX	01/20	USD	1.63	0.8	75.2	-6.1
Dragon Growth AA	OT	OT	LUX	01/20	HKD	7.94	0.9	74.9	-7.1
Emg Eastrn Europe A	EU	EQ	LUX	01/20	USD	4.96	6.7	129.5	-12.8
Emg Eastrn Europe AA	EU	EQ	LUX	01/20	USD	2.14	6.7	129.2	-12.9
European Growth	EU	EQ	LUX	01/20	USD	9.27	1.2	60.9	-13.6
European Growth AA	EU	EQ	LUX	01/20	USD	0.66	1.2	60.5	-13.8
Global Contrarain AA	GL	EQ	LUX	01/20	USD	0.93	4.7	100.4	NS
Global Property AA	OT	EQ	LUX	01/20	USD	0.68	0.5	56.8	-9.6
Global Resources AA	OT	EQ	LUX	01/20	USD	1.12	3.6	61.4	-7.3
Healthcare AA	OT	EQ	LUX	01/20	USD	0.97	1.3	18.2	NS
India Equity AA	EA	EQ	LUX	01/20	USD	1.13	2.6	89.4	-15.4
International Growth	GL	EQ	LUX	01/20	USD	3.13	2.2	32.7	-10.8
International Growth AA	GL	EQ	LUX	01/20	USD	0.73	2.2	32.3	-11.1
Japanese Growth	JP	EQ	LUX	01/20	USD	2.89	5.7	18.5	-8.6
Japanese Growth AA	JP	EQ	LUX	01/20	USD	0.76	5.7	18.2	-8.8
Latin America Equity AA	GL	EQ	LUX	01/20	USD	1.30	0.2	103.8	2.2
Manulife GF Strategic Income Fund AA	OT	OT	NA	01/20	USD	1.01	1.3	NS	NS
MGF Asia Value Dividend Equity Fund	OT	OT	Lux	01/20	USD	1.17	3.3	NS	NS
Russia Equity AA	EE	EQ	LUX	01/20	USD	0.71	13.3	189.1	-17.2
Taiwan Equity AA	AS	EQ	LUX	01/20	USD	1.08	0.4	99.3	4.5
Turkey Equity AA	EE	EQ	LUX	01/20	USD	0.83	6.0	141.9	-4.9
U.S. Bond AA	US	BD	LUX	01/20	USD	1.12	1.7	18.3	7.4
U.S. Sm Cap Equity AA	US	EQ	LUX	01/20	USD	0.85	3.3	72.6	-5.8
U.S. Special Opportunities	OT	OT	LUX	01/20	USD	0.86	5.6	81.0	5.4
U.S. Tsy Inf-ProtSec AA	OT	BD	LUX	01/20	USD	1.15	0.8	8.9	2.2

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Tel: +62 21 25574 883 Fax: +62 21 25574 893 Website: www.ciptadana.com

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Indonesian Grth Fund	EA	EQ	CYM	01/13	USD	136.95	7.5	110.4	-1.1

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A Value Partners Group company

SENSIBLE ASSET MANAGEMENT LIMITED

www.samfund.com.hk Tel: (852) 2868 6848 Fax: (852) 2810 9948

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Asia Value Formula Fd-B	AS	EQ	CYM	01/19	USD	8.25	2.9	99.8	-1.6

SG ASSET MANAGEMENT (HK) LTD

Hotline in Hong Kong 2166 5099

A company of Amundi Group

www.sgam.com

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Bonds Eur Hi Yld A	OT	OT	LUX	01/18	EUR	21.24	3.2	51.8	2.2
Bonds EURO A	OT	OT	LUX	01/18	EUR	41.25	0.5	4.7	4.6
Bonds EUROPE A	OT	OT	LUX	01/19	EUR	39.40	0.7	4.4	4.1
Bonds US OppsCoreplus A	OT	OT	LUX	01/15	USD	37.33	1.2	15.3	8.0
Bonds World A	OT	OT	LUX	01/19	USD	42.37	0.9	9.3	5.2
Eq. AsiaPac Dual Strategies A	OT	OT	LUX	01/19	USD	10.61	1.8	77.6	-7.3
Eq. China A	AS	EQ	LUX	01/19	USD	23.83	-1.2	72.2	-10.4
Eq. Concentrated Euroland A	OT	OT	LUX	01/19	EUR	93.80	0.9	29.3	-14.6
Eq. ConcentratedEuropeA	EU	EQ	LUX	01/19	EUR	27.73	2.7	43.1	-12.3
Eq. Emerging Europe A	OT	OT	LUX	01/19	EUR	25.84	9.7	109.9	-19.2
Eq. Euroland A	EU	EQ	LUX	01/19	EUR	10.97	1.4	28.2	-15.7
Eq. Euroland Small Cap A	OT	OT	LUX	01/19	EUR	147.78	4.7	51.8	-3.2
Eq. EurolandCyclclsA	EU	EQ	LUX	01/19	EUR	18.14	1.9	39.9	-9.7
Eq. EurolandFinancialA	OT	EQ	LUX	01/19	EUR	11.45	1.2	55.8	-16.8
Eq. Glbl Emg Cty A	GL	EQ	LUX	01/19	USD	9.82	1.4	76.1	-11.1
Eq. Global A	GL	EQ	LUX	01/19	USD	28.65	2.9	43.0	-8.4
Eq. Global Energy A	OT	EQ	LUX	01/19	USD	18.81	3.7	36.7	-7.4
Eq. Global Resources A	OT	OT	LUX	01/19	USD	114.37	4.7	69.9	-4.7
Eq. Gold Mines A	OT	EQ	LUX	01/19	USD	31.58	4.2	65.4	0.8
Eq. India A	OT	OT	LUX	01/19	USD	134.60	3.0	89.2	-15.5
Eq. Japan CoreAlpha A	OT	OT	LUX	01/19	JPY	7787.31	7.4	32.3	-6.5
Eq. Latin America A	OT	OT	LUX	01/18	USD	116.86	0.5	88.9	-5.3
Eq. US Lg Cap Gr A	US	EQ	LUX	01/19	USD	15.75	3.3	48.2	-6.0
Eq. US Rel Val A	US	EQ	LUX	01/19	USD	21.48	4.3	43.7	-8.9
Eq. US Sm Cap Val A	US	EQ	LUX	01/19	USD	16.49	3.4	35.0	-13.5
Money Market EURO A	EU	MM	LUX	01/18	EUR	27.40	0.0	0.9	2.5
Money Market USD A	US	MM	LUX	01/18	USD	15.83	0.0	0.5	1.6

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
TNI Mena Real Estate Fund	OT	OT	BMU	01/14	USD	954.00	-0.7	-2.1	-29.6
TNI MENA Special Sits Fund	OT	OT	BMU	12/31	USD	1079.31	11.2	11.2	NS
TNI UAE Blue Chip Fund	OT	OT	ARE	01/14	AED	5.19	-2.6	6.0	-33.8

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**formerly known as China ABH Shares Fund*

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Intel-Chin MainInd Foc	AS	EQ	CYM	01/15	USD	30.29	1.5	99.7	5.9
Intel-China Converg*	AS	EQ	CYM	01/15	USD	115.18	1.0	99.9	4.9
VP Classic - A	AS	EQ	CYM	01/19	USD	191.57	2.7	94.3	2.6
VP CLassic - B	AS	EQ	CYM	01/19	USD	89.26	2.7	93.3	2.1
VP High Dividend Stk	AS	EQ	CYM	01/18	USD	46.37	2.1	87.8	1.5

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YMR-N Series

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
YMR-N Growth Fund	OT	OT	IRL	01/20	JPY	9604.00	2.1	21.5	-18.7
YMR-N Small Cap Fund	OT	OT	IRL	01/20	JPY	7025.00	0.4	16.2	-18.1

Yuki 77 Series

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Yuki 77 General	JP	EQ	IRL	01/20	JPY	6253.00	1.7	13.7	-21.5
Yuki 77 Growth	JP	EQ	IRL	01/20	JPY	5712.00	1.2	9.0	-26.4

Yuki Chugoku Series

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Yuki Chugoku Jpn Gen	JP	EQ	IRL	01/20	JPY	6978.00	2.2	18.7	-18.1
Yuki Chugoku JpnLowP	JP	EQ	IRL	01/20	JPY	7869.00	4.3	4.0	-17.2

Yuki Hokuyo Japan Series

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Yuki Hokuyo Jpn Gen	JP	EQ	IRL	01/20	JPY	4798.00	2.7	14.4	-21.4
Yuki Hokuyo Jpn Inc	JP	EQ	IRL	01/20	JPY	5423.00	3.3	12.4	-15.6
Yuki Hokuyo Jpn Sm Cap	JP	EQ	IRL	01/20	JPY	5112.00	0.1	16.3	-17.0

Yuki Mizuho Series

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Yuki Mizuho Gen Jpn III	OT	OT	IRL	01/20	JPY	4494.00	1.7	15.7	-25.2
Yuki Mizuho Jpn Dyn Gro	OT	OT	IRL	01/20	JPY	4752.00	1.9	15.3	-25.0
Yuki Mizuho Jpn Exc 100	OT	OT	IRL	01/20	JPY	7071.00	1.4	25.7	-19.7
Yuki Mizuho Jpn Gen	OT	OT	IRL	01/20	JPY	8760.00	1.7	18.8	-19.1
Yuki Mizuho Jpn Gro	OT	OT	IRL	01/20	JPY	6457.00	1.6	13.3	-22.1
Yuki Mizuho Jpn Inc	OT	OT	IRL	01/20	JPY	7846.00	2.8	5.4	-18.8
Yuki Mizuho Jpn Lg Cap	OT	OT	IRL	01/20	JPY	5336.00	2.8	16.8	-19.5
Yuki Mizuho Jpn LowP	OT	OT	IRL	01/20	JPY	11820.00	2.2	14.6	-13.7
Yuki Mizuho Jpn PGth	OT	OT	IRL	01/20	JPY	8013.00	0.7	14.8	-24.9
Yuki Mizuho Jpn SmCp	OT	OT	IRL	01/20	JPY	7148.00	0.2	23.4	-18.3
Yuki Mizuho Jpn Val Sel	OT	OT	IRL	01/20	JPY	5783.00	2.4	19.6	-17.0
Yuki Mizuho Jpn YoungCo	OT	OT	IRL	01/20	JPY	2733.00	0.3	20.2	-26.3

Yuki Shizuoka Japan Series

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Yuki Shizuoka General Japan	JP	EQ	IRL	01/20	JPY	5527.00	2.0	18.2	-18.4

For information about listing your funds, please contact: Carson Wong tel: +852 2831-6481; email: carson.wong@dowjones.com

GOOGLE VS. CHINA

Google rethinks its China footprint

By Jessica E. Vascellaro

Google Inc., after asserting that it won't play by the Chinese government's rules and plans to stop censoring its search engine, is plotting what a new, smaller China footprint could look like.

Tuesday, Google sent a strong signal that it may retreat from one major endeavor—its pursuit of China's cellphone market—by delaying the planned China launch of two phones that use its Android operating system.

The U.S. company is also reviewing its Chinese music-search service, as well as Chinese-market versions of its Gmail service, Google Maps and other products, said people familiar with the matter.

Google executives don't believe the company will make a full withdrawal from China, according to people briefed on the matter. Executives are hopeful they can keep employees in China and continue to operate offices there, according to these people.

Google is also looking at ways to continue to improve the performance of Google.com in China, a Chinese version of Google located outside the countries' borders, these people said.

Regardless of what Google wants to do, what it will be allowed to do is up to the Chinese government. While government officials have stressed that Google must abide by China's laws, Beijing hasn't taken any formal action since the company said it planned to stop self-censoring its Chinese search site.

Observers said there's little chance Google will get its way. "I don't think it is likely that they could get a free pass for what they done in the past week," said John Palfrey, a professor at Harvard Law School.

"I would be very surprised if the Chinese government gives Google carte blanche to sell its services, having snubbed its nose at the censorship regime," Mr. Palfrey said.

Other people familiar with Chinese authorities' approach to the Internet said that if Google really wanted to stay in China it would have negotiated behind closed doors. A Google spokesman declined to comment about the thinking behind its announcement.

What businesses Google will push to keep in China, along with how China responds, won't become clear until negotiations are more advanced. When Google said it would stop censoring its search engine last week, it left open the possibility that talks between the two sides could shape it plans, saying "we will be discussing with the Chinese government the basis on which we could operate an unfiltered search engine within the law, if at all."

Bloomberg News

Morning commuters walk past a woman on her cellphone at a subway station in Shanghai.

The state of negotiations between Google and Chinese administration officials is unclear. Google said it notified the Chinese administration before announcing its decision to cease censoring its search results in the wake of a major cyber attack it said it traced to China. But Google was expecting it to take some time before it held meetings with senior administration officials, said people familiar with its plans.

Meanwhile, the U.S. government has stepped in. Assistant U.S. Secretary of State Kurt Campbell told reporters Tuesday the government has met with China over Internet freedom following Google's allegations and that China officials had denied the allegations. "The U.S. government has had multiple meetings with Chinese authorities on this matter and will have more in the coming days," he said.

A Chinese Foreign Ministry spokesman reiterated that foreign enterprises doing business in China should respect its laws and regulations, saying, "Google is of course no exception."

Meanwhile, Chinese Internet users are watching for when Google will execute the one decision it said it has made—discontinuing censoring Google.cn.

People familiar with Google's operations said this process would be a "huge" endeavor. As of Tuesday night in Beijing, Google was still censoring results.

—Loretta Chao contributed to this article.

Google's China music partner faces unsure fate

By Loretta Chao

BEIJING—Hanging in the balance of **Google** Inc.'s possible withdrawal from China is the fate the search giant's pioneering partnership with a Chinese company to distribute music free online.

The music venture, which relies on advertising, is the first major service to let users to download and stream licensed songs without charging them. Done in partnership with Top100.cn, a site owned by Chinese company **Orca Digital** Inc., the service has been closely watched since its launch last March as a possible solution to rampant piracy, which has crippled the music industry.

Gary Chen, chief executive of Orca Digital, in which Google owns a stake, said he was surprised when Google issued its statement last week saying it would stop censoring its Chinese search results and might have to close its Chinese operations.

Mr. Chen said earlier this week that Google had yet to contact him about the announcement, although he said advertisers have been calling him daily to inquire about the fate of the enterprise.

Mr. Chen, who has studied and worked in both China and the U.S., is remaining studiously neutral in the Google-Beijing conflict. He said he sees Top100 as a bridge and "as a bridge, you cannot take sides."

He hopes Google and Chinese authorities compromise on a way to allow Google to keep operating in China. "I love Google, and I love China," he said.

Orca Digital

Gary Chen, CEO of Orca Digital, which has partnered with Google to offer a free music service in China.

The Google-Top100 music venture has about six million songs downloaded or streamed each day. Top100 licenses the music from record labels and serves them as downloads and streams to users.

Collaborators include the world's four biggest record companies—**Warner Music Group** Corp., **Vivendi** SA's Universal Music, **EMI Group** Ltd., and **Sony** Corp.'s Sony Music Entertainment—who have contributed much of their catalogues.

The service offers songs by famous Chinese-language pop stars like Jacky Cheung and Faye Wong, as well as western stars like Lady Gaga and rapper Lil Wayne and even more obscure older acts like 1960s and 70s experimental rocker Captain Beefheart. In all, Top100 has licensed some five million tracks, although it has so far loaded only about a third that number on its site.

Google drives most of Top100's traffic through its Google.cn/music page. When users click on a link for a song they like in the search results, a Top100 window pops up carrying a music player or a download button along with an ad. Users with Internet connections outside China are blocked from downloading music through the service.

Google has also helped broker the service's largest advertising deals. Between September and December, it sold five million yuan ($732,000) in ads, and it has sold at least another 1.3 million yuan this year so far, including a million-yuan deal with **Daimler** AG's Mercedes-Benz that was signed three days after Google's Dec. 12 statement about possibly leaving China. Other advertisers include Nokia Corp. and Volkswagen AG.

Music labels have been especially hopeful about the Google-Top100 venture because rampant piracy had effectively ruined their business in China. Record companies had long complained about Google's chief competitor in China, **Baidu** Inc., offering direct links to unlicensed music downloads, and saw the ad-supported model, in which they receive a share of revenue, as a possible way forward not just for China, but potentially in other markets.

Sandy Monteiro, a Universal Music executive in Asia, said it would be "unfortunate" if Google's standoff with Beijing affects its Chines music venture, adding that the outcome is "uncertain."

"The Top100 service is not the beginning and end of our strategy for China, but it has been crucial in highlighting the fact that it is very possible for a legitimate music service to operate in China," Mr. Monteiro said. "We are working with several parties to roll out new or improved services in the market that will slowly increase the volume of music that is transacted through legitimate services."

Orca Digital's Mr. Chen said Top100 isn't yet profitable but hopes to be by the end of the year. Mr. Chen says he is optimistic that the venture with Google will survive, because it serves goals that both the government and the company can agree with.

"It is legal and benefits every party" including consumers, copyright owners and the Chinese government's effort to be seen as tough on piracy, he said.

—Sue Feng contributed to this article.

Play on

A snapshot of the free music service offered in China by Google and Top100.cn

- Number of songs licensed: five million
- Number of songs currently available for download: 1.5 million
- Sample artists included in catalogue: Jay Chou, Jacky Cheung, Lady Gaga, Lil Wayne, Captain Beefheart
- Sample advertisers: Nokia, Apple, Sony Ericsson, Volkswagen, Mercedes-Benz
- Advertising revenue: $732,000
- Number of downloads or streams per day: six million
- Number of unique users (estimated): two million to three million
- Record labels: Warner Music, Universal Music, EMI Group, Sony Music

— Source: Top100.cn and WSJ reporting

Shanghai firm feasts on land

By Joyce Li
And Lorraine Luk

HONG KONG—**Shanghai Industrial Holdings** Ltd. said it will more than triple its land bank by buying a 45% stake in a distressed property company for 2.75 billion Hong Kong dollars (US$354.2 million), as the Shanghai municipal government's investment arm continues to aggressively boost its core operations.

The deal is seen as a strategic move by the Shanghai government. It comes despite Beijing's efforts to counter the rapid expansion in the country's property market, which has resulted, in part, from a surge in liquidity and a broader pickup in economic growth.

Analysts said Shanghai Industrial's acquisition of a stake in **Neo-China Land Group (Holdings)** Ltd., which the company will finance with bank loans, gives it access to prime property in key Chinese cities at an attractive price. Shanghai Industrial said it is seeking opportunities to increase its land holdings further.

Even though there are potential policy headwinds, with China's banking regulator saying recently it will closely watch changes in the property market and will strengthen its supervision regarding related loans in 2010, major property companies remain confident about the market's long-term prospects.

Consumer demand remains solid and economic growth is expected to continue, leading to increased affluence among mainland Chinese. As the populace grows wealthier, people are expected to want to upgrade their homes.

Singapore-based developer **CapitaLand** Ltd. announced plans Monday to buy **Orient Overseas International** Ltd.'s China property business for US$2.2 billion, in a deal that includes seven sites under development in the Shanghai area and Tianjin.

Shanghai Industrial said in a statement late Tuesday it will buy 500 million existing shares and 684 million new shares in Neo-China Land at HK$2.32 each, becoming its largest shareholder.

Shanghai Industrial's land bank will rise to 15.8 million square meters from 4.2 million square meters, turning it into one of the top 20 Hong Kong-listed Chinese property developers measured by the size of its land bank.

"The company continues to surprise the market with core asset acquisitions," CLSA wrote in a research note. "We expect Shanghai Industrial to continue to increase property exposure to over 50% of net asset value from the current 40%."

CLSA upgraded its rating on the stock to "buy" from "outperform" and lifted its target price to HK$53 from HK$51.

Neo-China said the sale will provide it with funds to pay down debt or to fund new investment. The company also said it expects a HK$2 billion impairment loss on a project to hurt its 2009 results.

Neo-China shares have been suspended since Jan. 22, 2008, pending the release of price-sensitive information.

The company said, without elaborating, it believes the Shanghai Industrial deal will help it to resume trade in its stock. Its shares last traded at HK$4.95.

Heat on Greece mounts as financing fears grow

By Alkman Granitsas
And Katie Martin

ATHENS—Greek debt markets reeled Wednesday and the euro tumbled amid increasing concern that Greece may have trouble meeting its financing needs.

The moves came after the government said it was considering a range of financing options to meet its borrowing needs this year, including the possibility of issuing a so-called popular bond for Greek retail investors.

"We are looking at everything," Finance Minister George Papaconstantinou told journalists in response to questions.

He also said that following an auction of three-month, six-month and one-year treasury bills earlier this month, Greece has covered its borrowing needs for January, indicating it wouldn't be issuing a bond this week. There has been speculation that the government might issue a longer-dated bond this week, possibly with a five-year duration.

Market concerns that Greece may have trouble finding financing pressured government debt markets on Wednesday. The drop in prices pushed up the 10-year yield to 6.2%, from around 5.9% on Tuesday.

The cost to investors of insuring Greek sovereign debt against default rose to a record. Late Wednesday, the annual cost of insuring €10 million of Greek government debt against default for five years had risen to €345,500 from €317,000 late on Tuesday. That is 10 times the rate paid on German government debt.

"That is the sort of level that Icelandic CDS was trading at shortly before Iceland collapsed," said Simon Derrick, a currencies analyst at Bank of New York Mellon in London.

"I'm not saying they are the same, but it's clear that people's perception of risk is now the same as it was before the Icelandic collapse," he said.

—Emese Bartha and Clare Connaghan contributed to this article.

Major players & benchmarks

At right, a look at the Asia Titans, the biggest and best known companies in Asia. Below, some of the Dow Jones Titans indexes of biggest and most liquid stocks in individual countries and regions

Giants around the world

In U.S.-dollar terms.

Dow Jones Country Titans

	INDEX PERFORMANCE Previous session	Year-to-date	52-week
Russia	-1.50%	4.8%	135.8%
Turkey	0.81	4.5	118.0
Japan	-0.64	4.4	22.4
Sweden	-0.95	2.0	65.4
Switzerland	-0.50	1.6	37.1
Netherlands	-0.62	1.5	46.6
South Korea	0.35	1.2	59.1
U.K.	-1.22	0.7	34.2
Italy	-1.30	0.6	34.7
France	-1.35	0.3	37.3
Australia	unch.	0.1	41.6
South Africa	0.24	unch.	31.3
Spain	-1.61	-0.1%	29.9
Singapore	-0.70	-0.6	71.3
Germany	-1.05	-0.7	32.5
Canada	-0.77	-2.0	30.0
Hong Kong	-1.90	-2.9	62.8
Brazil	-3.16	-4.7	102.4
China 88	-3.15	-7.1	54.5

Dow Jones Regional Sector Titans

EU Enlarged†-p	0.87%	6.6%	58.5%
Travel Leisure	-0.72	4.9	30.7
Health Care	-0.53	4.0	22.8
Nordic 30 -p	-0.22	3.6	50.7
Asian 50	-1.02	3.5	46.4
Arab 50	-0.01	2.8	36.0
Global 50	-0.18	2.0	36.0
Stoxx 50 -p	1.01	1.9	36.1
Euro Stoxx 50 -p	0.91	0.7	35.6
Tiger 50*	-1.09	-0.8%	78.7

*Asia excluding Japan †15 companies from the new EU countries; Cyprus, CzechRepublic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

Source: Dow Jones Indexes

Dow Jones Asia Titans: Wednesday's best and worst...

Company	Country	Industry	Market value, in billions of US$	Previous close, in local currency	STOCK PERFORMANCE Previous session	52-week	Three-year
POSCO	South Korea	Iron Steel	$41.6	622,000	2.98%	80.8%	89.1%
Takeda Pharm	Japan	Pharmaceuticals	34.6	4,000	1.65	-4.8	-49.3
Samsung Elec	South Korea	Semiconductors	108.4	834,000	1.34	86.0	38.8
Westfield Grp	Australia	Retail REITs	26.5	12.58	0.80	6.9	-41.5
Taiwan Smcndtr Mfg	Taiwan	Semiconductors	51.0	63.00	0.80	57.5	-9.3
Japan Tobacco	Japan	Tobacco	$33.2	316,000	-4.10%	22.2	-46.5
China Constr Bk	Hong Kong	Banks	179.9	6.22	-3.12	70.0	27.5
Indl Comm Bk China	Hong Kong	Banks	63.0	5.89	-2.64	85.2	25.9
Canon	Japan	Electronic Office Equipment	50.4	3,730	-2.10	36.9	-43.6
Hutchison Whampoa	Hong Kong	Diversified Industrials	30.9	56.25	-2.09	52.0	-30.3

...And the rest of Asia's blue chips

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
Tokyo Elec Power Japan (Conventional Electricity)	36.8	2,490	0.69%	-9.5%	-36.6%
QBE Ins Grp Australia (Reinsurance)	22.4	23.89	0.55	5.4	-22.4
Nintendo Japan (Toys)	36.2	25,840	0.47	-14.6	-22.1
Aus NZ Bk Australia (Banks)	53.2	23.27	0.30	76.7	-19.2
BHP Billiton Australia (General Mining)	133.0	43.41	0.23	51.5	67.6
East Japan Railway Japan (Travel Tourism)	26.9	6,220	0.16	-3.0	-27.1
RioZim Ltd Australia (General Mining)	43.2	78.04	0.12	165.5	30.1
Woolworths Australia (Food Retailers Wholesalers)	30.9	27.51	0.04	6.7	17.1
National Australia Bk Australia (Banks)	52.5	27.45	...	55.9	-32.1
Kansai Elec Power Japan (Conventional Electricity)	22.3	2,132	-0.09	-9.1	-35.2
Commonwlth Bk of Aus Australia (Banks)	78.5	56.56	-0.14	120.9	12.8
Sony Japan (Consumer Electronics)	33.4	3,060	-0.16	53.9	-45.7
NTT DoCoMo Japan (Mobile Telecommunications)	62.1	135,800	-0.29	-13.4	-28.2
JFE Hldgs Japan (Iron Steel)	19.4	3,355	-0.30	40.7	-48.9
Woodside Petroleum Australia (Exploration Production)	30.5	46.50	-0.53	35.1	24.7
Nippon Steel Japan (Iron Steel)	25.3	367.00	-0.54	32.0	-47.0
Tokio Marine Hldgs Japan (Property Casualty Insurance)	22.3	2,585	-0.58	22.5	-43.3
Shinhan Financial Grp South Korea (Banks)	17.6	42,100	-0.71	64.4	-10.7
Shin-Etsu Chml Japan (Specialty Chemicals)	24.2	5,210	-0.76	28.3	-35.4
Mitsubishi UFJ Finl Japan (Banks)	73.4	482.00	-0.82	-0.2	-68.3

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
Toyota Motor Japan (Automobiles)	141.6	4,105	-0.85%	37.8%	-49.6%
Westpac Bking Australia (Banks)	67.7	25.48	-0.86	69.6	2.1
Hon Hai Precision Ind Taiwan (Electrical Components Equipment)	39.4	147.50	-1.01	187.5	-5.4
KB Fncl Group South Korea (Banks)	18.9	55,900	-1.06	79.1	-22.4
Mizuho Financial Grp Japan (Banks)	28.5	185.00	-1.07	-14.8	-79.5
Panasonic Japan (Consumer Electronics)	33.5	1,478	-1.07	32.8	-38.9
CNOOC Hong Kong (Exploration Production)	69.5	12.08	-1.15	87.9	79.2
Nippon T&T Japan (Fixed Line Telecommunications)	57.1	3,940	-1.25	-12.4	-37.4
KDDI Japan (Mobile Telecommunications)	25.7	531,000	-1.30	-3.6	-38.0
Nissan Motor Japan (Automobiles)	33.8	758.00	-1.30	145.3	-50.8
Honda Motor Japan (Automobiles)	65.2	3,255	-1.36	56.1	-33.4
Sumitomo Mitsui Finl Japan (Banks)	31.9	2,891	-1.36	-13.4	-77.1
Cheung Kong Hong Kong (Real Estate Holding Development)	29.4	98.60	-1.40	45.0	-5.3
China Life Ins Hong Kong (Life Insurance)	35.0	36.50	-1.48	79.8	53.0
Mitsubishi Japan (Industrial Suppliers)	42.6	2,368	-1.50	93.3	0.1
China Mobile (HK) Hong Kong (Mobile Telecommunications)	195.7	76.45	-1.55	10.4	-1.4
PetroChina Hong Kong (Integrated Oil Gas)	25.5	9.40	-1.67	62.1	-4.6
Seven I Hldgs Japan (Broadline Retailers)	19.9	2,010	-1.95	-19.8	-46.4
Sun Hung Kai Prop Hong Kong (Real Estate Holding Development)	35.5	107.60	-2.00	70.8	10.3
Mitsui Japan (Industrial Suppliers)	28.5	1,438	-2.04	61.9	-23.4

Sources: Dow Jones Indexes; WSJ Market Data Group

Tracking credit markets & dealmakers

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Hedge funds

Dow Jones Hedge Benchmark	TOTAL RETURN for rolling periods, net of fees* One week	One month	One quarter	Year to date	One year
Merger Arbitrage	0.06%	0.52%	1.4%	0.0%	6.7%
Event Driven	-0.04	1.61	3.1	1.0	15.2
Equity Long/Short	0.08	3.21	2.0	2.0	5.9

*Estimates as of 01/15/10, after fees; Source: www.djhedgefundindexes.com

Credit derivatives

Spreads on credit derivatives are one way the market rates creditworthiness. Regions that are treading in rough waters can see spreads swing toward the maximum—and vice versa. Indexes below are for five-year swaps.

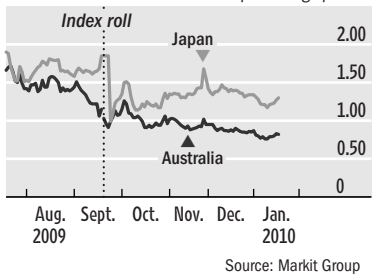
Markit iTraxx Indexes

Index: series/version	Mid-spread, in pct. pts.	Mid-price	Coupon	SPREAD RANGE, in pct. pts. since most recent roll Maximum	Minimum	Average
Europe: 12/1	0.76	101.12%	0.01%	1.00	0.65	0.83
Eur. High Volatility: 12/1	1.05	99.75	0.01	1.76	0.92	1.32
Europe Crossover: 12/1	4.11	103.59	0.05	6.15	3.79	5.02
Asia ex-Japan IG: 12/1	0.96	100.17	0.01	1.29	0.87	1.05
Japan: 12/1	1.30	98.58	0.01	1.68	0.99	1.32

Note: Data as of January 19

Spreads

Spreads on five-year swaps for corporate debt; based on Markit iTraxx indexes.



Source: Markit Group

Credit-default swaps: Asian companies

At its most basic, the pricing of credit-default swaps measures how much a buyer has to pay to purchase-and how much a seller demands to sell-protection from default on an issuer's debt. The snapshot below gives a sense which way the market was moving yesterday.

Showing the biggest improvement...

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Nishimatsu Constr	542	**-10**	12	3
Mazda Mtr	187	**-8**	-6	-30
Toppan Prtg	34	**-8**	-11	-9
Daiwa Secs Gp	120	**-3**	...	-19
Nomura Secs	143	**-3**	3	-23
Tenaga Nasional	85	**-2**	4	-3
Sanyo Elec	53	**-2**	...	-8
Rep Indonesia	191	**-2**	3	-3
Korea Expwy	71	**-2**	10	-6
Korea Dep Ins	76	**-2**	9	3

And the most deterioration

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Korea Dev Bk	101	**6**	17	6
Expt Import Bk Korea	101	**6**	18	7
All Nippon Awys	299	**6**	4	-37
Taisei	349	**7**	22	-22
Promise	584	**9**	-42	-278
Orix	247	**9**	19	-59
Mitsui Chems	133	**10**	19	13
Kawasaki Heavy Inds	144	**12**	4	-12
Acom	250	**16**	37	-31
Kajima	373	**23**	78	34

Source: Markit Group

Behind Europe's deals: Bank revenue rankings, France

Behind every IPO, bond offering, merger deal or syndicated loan is one or more investment banks. Here are investment banks ranked by year-to-date revenues from recent deals.

	Revenue, in millions	Market share	PERCENTAGE OF TOTAL REVENUE Equity capital markets	Debt capital markets	Mergers & acquisitions	Loans
BNP Paribas	$329	14.2%	27%	39%	28%	5%
Calyon	279	12.0	44	40	10	6
SG Corporate Investment Banking	226	9.7	32	52	11	5
HSBC	160	6.9	41	47	9	3
JPMorgan	152	6.6	50	30	19	1
Bank of America Merrill Lynch	131	5.7	18	31	50	1
Natixis	92	4.0	...	84	5	10
Credit Suisse	91	3.9	25	53	22	...
Citi	82	3.6	33	23	42	2

Source: Dealogic

GLOBAL MARKETS LINEUP

Commodities

Prices of futures contracts with the most open interest

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **NYBOT:** New York Board of Trade; **MDEX:** Bursa Malaysia Derivatives Berhad; **LIFFE:** London International Financial Futures Exchange; **LME:** London Mercantile Exchange; **NYMEX:** New York Mercantile Exchange; **ICE:** IntercontinentalExchange

Commodity	Exchange	Last price	ONE-DAY CHANGE Net	ONE-DAY CHANGE Percentage	Contract high	Contract low
Corn (cents/bu.)	CBOT	363.00	-6.25	-1.69%	712.25	315.50
Soybeans (cents/bu.)	CBOT	947.50	-16.00	-1.66	1,560.00	805.00
Wheat (cents/bu.)	CBOT	488.25	-12.25	-2.45	1,029.25	459.00
Live cattle (cents/lb.)	CME	91.175	0.650	0.72%	95.175	85.050
Cocoa ($/ton)	ICE-US	3,424	-37	-1.07	3,510	1,994
Coffee (cents/lb.)	ICE-US	139.20	-1.70	-1.21	188.65	115.00
Sugar (cents/lb.)	ICE-US	28.70	-0.28	-0.97	29.45	11.91
Cotton (cents/lb.)	ICE-US	71.11	-0.53	-0.74	84.00	49.67
Crude palm oil (ringgit/ton)	MDEX	2,440.00	-43	-1.73	3,580	1,487
Cocoa (pounds/ton)	LIFFE	2,306	-12	-0.52	2,337	1,310
Robusta coffee ($/ton)	LIFFE	1,347	-26	-1.89	1,710	1,300
Copper (cents/lb.)	COMEX	335.80	-8.90	-2.58	365.00	135.50
Gold ($/troy oz.)	COMEX	1112.00	-28.00	-2.46	1,227.50	762.30
Silver (cents/troy oz.)	COMEX	1844.00	-36.00	-1.91	2,011.50	1,045.00
Aluminum ($/ton)	LME	2,283.00	11.00	0.48	2,356.50	1,288.00
Tin ($/ton)	LME	17,950.00	275.00	1.56	18,250.00	9,945.00
Copper ($/ton)	LME	7,459.00	-15.50	-0.21	7,695.00	3,085.00
Lead ($/ton)	LME	2,420.00	-20.00	-0.82	2,615.00	995.00
Zinc ($/ton)	LME	2,488.00	12.00	0.48	2,659.00	1,086.00
Nickel ($/ton)	LME	19,055	400	2.14	21,150	9,475
Crude oil ($/bbl.)	NYMEX	77.43	-1.89	-2.38	141.30	48.78
Heating oil ($/gal.)	NYMEX	2.0295	-0.0295	-1.43	3.5280	1.3800
RBOB gasoline ($/gal.)	NYMEX	2.0393	-0.0342	-1.65	2.2003	1.2176
Natural gas ($/mmBtu)	NYMEX	5.469	-0.067	-1.21	12.590	4.550
Brent crude ($/bbl.)	ICE-EU	75.90	-1.73	-2.23	98.10	49.10
Gas oil ($/ton)	ICE-EU	611.75	-3.75	-0.61	875.00	450.50

Source: Thomson Reuters; WSJ Market Data Group

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Currencies

London close on Jan. 20

AMERICAS	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Argentina peso-a	5.3656	0.1864	3.8015	0.2631
Brazil real	2.5267	0.3958	1.7902	0.5586
Canada dollar	1.4784	0.6764	1.0475	0.9547
1-mo. forward	1.4785	0.6764	1.0475	0.9547
3-mos. forward	1.4785	0.6764	1.0475	0.9546
6-mos. forward	1.4787	0.6763	1.0476	0.9546
Chile peso	700.01	0.001429	495.95	0.002016
Colombia peso	2775.62	0.0003603	1966.50	0.0005085
Ecuador US dollar-f	1.4114	0.7085	1	1
Mexico peso-a	17.9769	0.0556	12.7365	0.0785
Peru sol	4.0290	0.2482	2.8545	0.3503
Uruguay peso-e	27.594	0.0362	19.550	0.0512
U.S. dollar	1.4114	0.7085	1	1
Venezuela bolivar	6.06	0.164971	4.29	0.232848
ASIA-PACIFIC				
Australia dollar	1.5499	0.6452	1.0981	0.9107
China yuan	9.6360	0.1038	6.8271	0.1465
Hong Kong dollar	10.9630	0.0912	7.7672	0.1287
India rupee	65.0467	0.0154	46.0850	0.0217
Indonesia rupiah	13119	0.0000762	9295	0.0001076
Japan yen	128.72	0.007769	91.20	0.010965
1-mo. forward	128.71	0.007770	91.19	0.010966
3-mos. forward	128.67	0.007772	91.16	0.010969
6-mos. forward	128.58	0.007777	91.10	0.010977
Malaysia ringgit-c	4.7488	0.2106	3.3645	0.2972
New Zealand dollar	1.9578	0.5108	1.3871	0.7210
Pakistan rupee	119.479	0.0084	84.650	0.0118
Philippines peso	64.778	0.0154	45.895	0.0218
Singapore dollar	1.9753	0.5062	1.3995	0.7145
South Korea won	1601.29	0.0006245	1134.50	0.0008815
Taiwan dollar	45.124	0.02216	31.970	0.03128
Thailand baht	46.528	0.02149	32.965	0.03034

EUROPE	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Euro zone euro	1	1	0.7085	1.4115
1-mo. forward	1.0001	0.9999	0.7085	1.4114
3-mos. forward	1.0002	0.9998	0.7087	1.4111
6-mos. forward	1.0007	0.9993	0.7090	1.4105
Czech Rep. koruna-b	26.039	0.0384	18.449	0.0542
Denmark krone	7.4414	0.1344	5.2722	0.1897
Hungary forint	270.93	0.003691	191.95	0.005210
Norway krone	8.1431	0.1228	5.7693	0.1733
Poland zloty	4.0488	0.2470	2.8686	0.3486
Russia ruble-d	41.987	0.02382	29.747	0.03362
Sweden krona	10.1426	0.0986	7.1860	0.1392
Switzerland franc	1.4744	0.6782	1.0446	0.9573
1-mo. forward	1.4741	0.6784	1.0444	0.9575
3-mos. forward	1.4737	0.6786	1.0441	0.9578
6-mos. forward	1.4727	0.6790	1.0434	0.9584
Turkey lira	2.0784	0.4811	1.4725	0.6791
U.K. pound	0.8673	1.1531	0.6144	1.6275
1-mo. forward	0.8674	1.1528	0.6146	1.6271
3-mos. forward	0.8678	1.1523	0.6148	1.6264
6-mos. forward	0.8684	1.1515	0.6153	1.6253
MIDDLE EAST/AFRICA				
Bahrain dinar	0.5321	1.8794	0.3770	2.6526
Egypt pound-a	7.6741	0.1303	5.4370	0.1839
Israel shekel	5.2541	0.1903	3.7225	0.2686
Jordan dinar	0.9975	1.0025	0.7067	1.4150
Kuwait dinar	0.4052	2.4679	0.2871	3.4833
Lebanon pound	2120.70	0.0004715	1502.50	0.0006656
Saudi Arabia riyal	5.2936	0.1889	3.7505	0.2666
South Africa rand	10.6783	0.0936	7.5655	0.1322
United Arab dirham	5.1843	0.1929	3.6730	0.2723
SDR -f	0.9039	1.1063	0.6404	1.5615

a-floating rate b-commercial rate c-government rate c-commercial rate d-Russian Central Bank rate f-Special Drawing Rights from the International Monetary Fund ; based on exchange rates for U.S., British and Japanese currencies.
Note: Based on trading among banks in amounts of $1 million and more, as quoted by Thomson Reuters.

Major stock market indexes

Stock indexes from around the world, grouped by region. Shown in local-currency terms.

Price-to-earnings ratio*	Region/Country	Index	PREVIOUS SESSION Close	Net change	Percentage change	PERFORMANCE Yr.-to-date	52-wk.
53	**ASIA-PACIFIC**	DJ Asia-Pacific	127.11	-1.01	-0.79%	3.3%	46.3%
...	Australia	SPX/ASX 200	4868.19	6.96	0.14%	-0.1	41.4
...	China	CBN 600	28048.04	-961.67	-3.31	-3.5	69.9
20	Hong Kong	Hang Seng	21286.17	-391.81	-1.81	-2.7	69.2
20	India	Sensex	17474.49	-11.57	-0.07	0.1	99.0
...	Indonesia	Jakarta Composite	2667.266	1.195	0.04	5.2	101.8
...	Japan	Nikkei Stock Average	10737.52	-27.38	-0.25	1.8	35.9
...		Topix	944.72	-5.04	-0.53	4.1	20.0
...	Malaysia	Kuala Lumpur Composite	1306.62	6.27	0.48	2.7	49.6
...	New Zealand	NZSX-50	3227.250	-0.342	-0.01	-0.1	19.3
9	Pakistan	KSE 100	9904.74	-49.67	-0.50	5.5	92.8
14	Philippines	Manila Composite	3083.86	-0.71	-0.02	1.0	67.6
...	Singapore	Straits Times	2893.13	-19.79	-0.68	-0.2	69.7
11	South Korea	Kospi	1714.38	4.16	0.24	1.9	55.3
20	Taiwan	Weighted	8220.93	-28.07	-0.34	0.4	93.5
10	Thailand	SET	731.80	-4.68	-0.64	-0.4	69.7
50	**EUROPE**	DJ Stoxx 600	256.46	-3.80	-1.46	1.3	39.0
22		DJ Stoxx 50	2593.41	-40.69	-1.54	0.6	35.3
62	**Euro Zone**	DJ Euro Stoxx	273.11	-5.70	-2.04%	-0.6%	35.1%
20		DJ Euro Stoxx 50	2915.52	-69.30	-2.32	-1.7	33.2
20	Denmark	OMX Copenhagen	333.84	-3.53	-1.05	5.7	43.9
21	Finland	OMX Helsinki	6598.82	-76.50	-1.15	2.2	29.3
20	France	CAC-40	3928.95	-80.72	-2.01	-0.2	35.2
21	Germany	DAX	5851.53	-124.95	-2.09	-1.8	37.3
16	Italy	FTSE MIB	23126.02	-579.65	-2.45	-0.5	30.8
...	Netherlands	AEX	336.30	-5.31	-1.55	0.3	41.5
...	Russia	RTSI	1556.97	-23.70	-1.50	9.1	193.7
11	Spain	IBEX 35	11709.0	-313.6	-2.61	-1.9	42.3
14	Switzerland	SMI	6586.53	-47.33	-0.71	0.6	24.2
...	Turkey	ISE National 100	55469.20	309.60	0.56%	5.0	124.2
15	U.K.	FTSE 100	5420.80	-92.34	-1.67	0.1	33.5
22	**AMERICAS**	DJ Americas	301.27	-4.17	-1.37	1.6	46.1
...	Brazil	Bovespa	67953.48	-1955.11	-2.80	-0.9	77.1
...	Argentina	Merval	2338.42	-49.89	-2.09	0.8	122.6
21	Mexico	IPC	32191.23	-281.82	-0.87	0.2	66.5

*P/E ratios use trailing 12-months, as-reported earnings
European and Americas index data are as of 12:00 p.m. ET.

Sources: Thomson Reuters; WSJ Market Data Group

Reuters Group PLC is the primary data provider for several statistical tables in The Wall Street Journal, including foreign stock quotations, futures and futures options prices, and foreign exchange tables. Reuters real-time data feeds are used to calculate various Dow Jones Indexes.

Dow Jones and Dow Jones Stoxx Indexes

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	Year-to-date	52-wk.	Three-yr., annualized
		DJ Global Index	230.74	-3.16	-3.16%	46.9%	-1.4%	-6.1%
		Global DOW	2018.72	-10.48	-10.48	46.8	-0.5	-2.0
2.28%		**Asia/Pacific 600**	119.26	-0.97	-0.97	34.5	-0.8	-6.7
2.28		**Emerging Markets**	283.75	-3.56	-3.56	95.2	-1.2	4.3
2.28		**Asia/Pacific**	127.11	-1.02	-1.02	46.3	-0.8	-4.6
2.28		**Asia/Pacific ex-Japan**	319.62	-2.98	-2.98	91.7	-0.9	1.3
2.28		**Southeast Asia**	163.36	-1.46	-1.46	94.5	-0.9	2.7
0.84	29	**CBN China 600** -c	28048.04	-961.67	-961.67	69.9	-3.3	14.9
0.87	32	**Shanghai**	376.70	-12.47	-12.47	69.5	-3.2	15.4
0.58	46	**Shenzhen**	412.08	-14.93	-14.93	96.5	-3.5	21.4
2.25	19	**China Offshore 50**	3961.19	-82.23	-82.23	73.9	-2.0	6.6
7.49	10	**Australia LPT** -c, d	1151.15	6.93	6.93	17.2	0.6	-21.3
2.01%	16	**Islamic Market**	2008.53	-27.90	-27.90%	44.5%	-1.4%	-1.2%
2.30	17	**Islamic Market 100**	2154.53	-30.73	-30.73	31.6	-1.4	-2.1
9.54	26	**Bahrain**	122.20	-0.20	-0.20	-12.9	-0.2	-13.5
2.90	36	**Kuwait**	194.34	1.77	1.77	19.3	0.9	-15.9
2.52	21	**Sustainability**	1022.18	-16.77	-16.77	49.8	-1.6	-7.2
2.72	50	**Stoxx 600 -p**	277.59	0.20	0.20	55.0	0.1	-8.5
4.74	17	**Stoxx Select Div 30 -p**	1833.10	-6.88	-6.88	54.2	-0.4	-20.6
3.98	23	**Euro Stoxx Sel Div 30 -p**	2201.18	5.27	5.27	64.6	0.2	-15.8
1.68	32	**DJ U.S. TSM**	11724.48	-141.01	-141.01	38.2	-1.2	-6.6
4.09	15	**U.S. Select Dividend -d**	659.65	-8.50	-8.50	28.6	-1.3	-9.6
4.61		**U.S. REIT**	146.16	-2.19	-2.19	37.2	-1.5	-19.2
		DJ-UBS Commodity -p	138.48	0.40	0.40	25.5	0.3	-4.8

*Fundamentals are based on data in U.S. dollar. Footnotes: c-in local currency. d-dividends reinvested. p-previous day. Note: All data as of 11:30 a.m. ET.

Source: Dow Jones Indexes

Cross rates

U.S.-dollar and euro foreign-exchange rates in global trading

	US$	A$	£	C$	YUAN	EURO	HK$	RUPEE	RUPIAH	YEN	NZ$	WON	RINGGIT	PH. PESO	S$	S FRANC	TW$	BAHT
U.S.		1.098	0.614	1.047	6.827	0.708	7.767	46.085	9294.54	91.200	1.387	1134.49	3.365	45.895	1.399	1.045	31.970	32.965
Australia	0.911		0.560	0.954	6.217	0.645	7.073	41.967	8464.08	83.051	1.263	1033.13	3.064	41.794	1.274	0.951	29.113	30.020
Britain	1.627	1.787		1.705	11.111	1.153	12.641	75.003	15126.87	148.428	2.257	1846.39	5.476	74.694	2.278	1.700	52.031	53.651
Canada	0.955	1.048	0.587		6.518	0.676	7.415	43.997	8873.50	87.069	1.324	1083.10	3.212	43.816	1.336	0.997	30.522	31.472
China	0.1465	0.161	0.090	0.153		0.104	1.138	6.750	1361.43	13.359	0.203	166.18	0.493	6.723	0.205	0.153	4.683	4.829
Euro	1.411	1.550	0.867	1.478	9.636		10.963	65.047	13118.78	128.724	1.958	1601.28	4.749	64.778	1.975	1.474	45.124	46.528
Hong Kong	0.129	0.141	0.079	0.135	0.879	0.091		5.933	1196.64	11.742	0.179	146.06	0.433	5.909	0.180	0.134	4.116	4.244
India	0.0217	0.0238	0.0133	0.0227	0.1481	0.0154	0.1685		201.68	1.9790	0.0301	24.62	0.0730	0.9959	0.0304	0.0227	0.6937	0.7153
Indonesia	0.0001	0.0001	0.0001	0.0001	0.0007	0.0001	0.0008	0.0050		0.0098	0.0001	0.12	0.0004	0.0049	0.0002	0.0001	0.0034	0.0035
Japan	0.011	0.012	0.007	0.011	0.075	0.008	0.085	0.505	101.91		0.015	12.44	0.037	0.503	0.015	0.011	0.351	0.361
New Zealand	0.721	0.792	0.443	0.755	4.922	0.511	5.600	33.225	6700.90	65.751		817.91	2.426	33.088	1.009	0.753	23.049	23.766
South Korea	0.0009	0.0010	0.0005	0.0009	0.0060	0.0006	0.0068	0.0406	8.19	0.0804	0.0012		0.0030	0.0405	0.0012	0.0009	0.0282	0.0291
Malaysia	0.297	0.326	0.183	0.311	2.029	0.211	2.309	13.697	2762.53	27.107	0.412	337.20		13.641	0.416	0.310	9.502	9.798
Philippines	0.022	0.024	0.013	0.023	0.149	0.015	0.169	1.004	202.52	1.987	0.030	24.72	0.073		0.030	0.023	0.697	0.718
Singapore	0.715	0.785	0.439	0.748	4.878	0.506	5.550	32.930	6641.33	65.166	0.991	810.64	2.404	32.794		0.746	22.844	23.555
Switzerland	0.957	1.051	0.588	1.003	6.536	0.678	7.436	44.117	8897.71	87.306	1.328	1086.06	3.221	43.935	1.340		30.605	31.558
Taiwan	0.031	0.034	0.019	0.033	0.214	0.022	0.243	1.442	290.73	2.853	0.043	35.49	0.105	1.436	0.044	0.033		1.031
Thailand	0.030	0.033	0.019	0.032	0.207	0.021	0.236	1.398	281.95	2.767	0.042	34.42	0.102	1.392	0.042	0.032	0.970	

Source: Thomson Reuters via WSJ Market Data Group

MSCI indexes

Developed and emerging-market regional and country indexes from MSCI Barra as of January. 20, 2010

Dividend yield	Price-to-earnings ratio	Morgan Stanley Index	Last	LOCAL-CURRENCY PERFORMANCE Daily	YTD	52-wk.
2.40%	27	**ALL COUNTRY (AC) WORLD***	308.15	0.38%	**35.3%**	35.3%
2.40	28	**World (Developed Markets)**	1,203.33	0.43	**30.8**	30.8
1.80	117	**World Small Cap**	198.51	0.62	**47.9**	47.9
2.50	23	**Kokusai (World ex-Japan)**	1,189.38	0.63	**33.3**	33.3
2.90	28	**EAFE**	1,627.57	-0.33	**31.5**	31.5
2.00	20	**Emerging Markets (EM)**	1,013.41	0.09	**78.7**	78.7
2.40	24	**AC ASIA PACIFIC EX-JAPAN**	424.99	-0.39	**71.8**	71.8
2.00	24	**AC Far East ex-Japan**	457.28	0.15	**67.7**	67.7
1.70	35	**Japan**	595.14	-0.94	**12.3**	12.3
1.90	21	**China**	64.98	1.50	**59.3**	59.3
0.80	40	**China A (China Domestic)**	3,357.85	0.09	**93.6**	93.6
2.60	24	**Hong Kong**	10,192.31	0.45	**55.5**	55.5
0.90	21	**India**	713.82	-1.10	**93.3**	93.3
1.00	17	**Korea**	485.11	-0.19	**58.0**	58.0
2.40	20	**Malaysia**	478.92	0.07	**49.1**	49.1
2.90	18	**Singapore**	1,621.81	0.02	**62.7**	62.7
2.50	248	**Taiwan**	296.90	-1.17	**71.3**	71.3
2.90	19	**Thailand**	301.44	-1.43	**62.9**	62.9
3.70	26	**Australia**	1,002.15	-0.95	**31.0**	31.0
5.20	16	**New Zealand**	86.22	-1.21	**13.6**	13.6
1.80	33	**US BROAD MARKET**	1,277.59	1.29	**30.1**	30.1
3.20	18	**EUROPE**	90.39	0.82	**30.2**	30.2

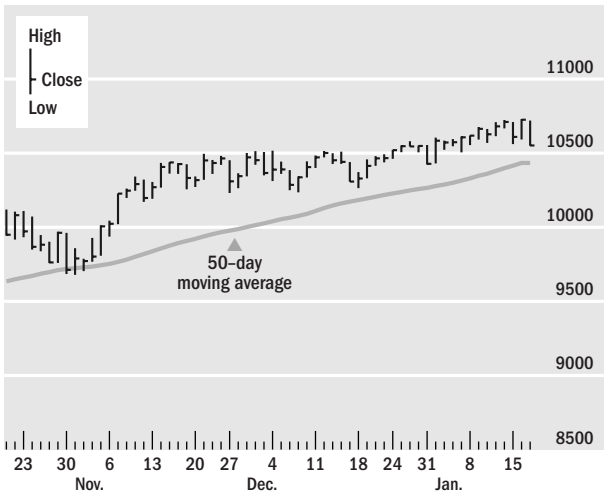
*Twenty-three developed and 26 emerging markets

Source: MSCI Barra

SCANNING THE GLOBE

Dow Jones Industrial Average P/E: 18

LAST: **10551.76** ▼ 173.67, or 1.62%
YEAR TO DATE: ▲ **123.71, or 1.2%**
OVER 52 WEEKS ▲ **2,323.66, or 28.2%**



Nasdaq Composite Index P/E: 47*

LAST: **2279.11** ▼ 41.29, or 1.78%
YEAR TO DATE: ▲ **9.96, or 0.4%**
OVER 52 WEEKS ▲ **772.04, or 51.2%**

S&P 500 Index P/E: 71

LAST: **1132.51** ▼ 17.72, or 1.54%
YEAR TO DATE: ▲ **17.41, or 1.6%**
OVER 52 WEEKS ▲ **292.27, or 34.8%**

*Price-to-earnings ratio for the Nasdaq 100 Note: Price-to-earnings ratios are for trailing 12 months

Sources: WSJ Market Data Group; Birinyi Associates

DJIA component stocks

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
AT&T	T	**17.90**	$25.79	-0.41	**-1.56%**
Alcoa	AA	**15.50**	15.21	-0.41	**-2.62**
AmExpress	AXP	**5.10**	42.35	-0.61	**-1.42**
BankAm	BAC	**151.70**	16.56	0.24	**1.50**
Boeing	BA	**2.80**	59.17	-1.48	**-2.44**
Caterpillar	CAT	**3.10**	59.45	-1.48	**-2.43**
Chevron	CVX	**4.00**	78.03	-1.65	**-2.07**
CiscoSys	CSCO	**20.60**	24.23	-0.62	**-2.49**
CocaCola	KO	**4.00**	55.44	-0.98	**-1.74**
Disney	DIS	**6.60**	30.83	-0.18	**-0.58**
DuPont	DD	**2.70**	34.23	-0.61	**-1.76**
ExxonMobil	XOM	**15.60**	68.33	-0.94	**-1.36**
GenElec	GE	**36.40**	16.41	-0.13	**-0.79**
HewlettPk	HPQ	**6.70**	51.66	-1.09	**-2.07**
HomeDpt	HD	**5.10**	28.50	-0.38	**-1.32**
Intel	INTC	**31.20**	20.96	-0.09	**-0.42**
IBM	IBM	**8.30**	129.43	-4.71	**-3.51**
JPMorgChas	JPM	**20.10**	42.93	-0.35	**-0.81**
JohnsJohns	JNJ	**6.60**	64.53	-0.82	**-1.25**
KftFoods	KFT	**18.30**	28.64	-0.77	**-2.61**
McDonalds	MCD	**3.20**	62.90	-0.58	**-0.91**
Merck	MRK	**9.70**	40.30	-0.32	**-0.79**
Microsoft	MSFT	**27.80**	30.44	-0.66	**-2.12**
Pfizer	PFE	**44.20**	19.93	-0.07	**-0.35**
ProctGamb	PG	**5.10**	60.27	-1.01	**-1.65**
3M	MMM	**1.70**	84.11	-1.01	**-1.19**
TravelersCos	TRV	**1.20**	48.61	-0.82	**-1.66**
UnitedTech	UTX	**1.60**	70.69	-1.60	**-2.21**
Verizon	VZ	**13.10**	30.73	-0.50	**-1.60**
WalMart	WMT	**5.40**	53.34	-0.69	**-1.28**

U.S. stocks: most active...

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
Citigroup	C	**310.0**	$3.47	–$0.07	**–1.98%**
BankAm	BAC	**169.1**	16.56	0.24	**1.49**
SPDR S&P 500	SPY	**104.3**	113.23	–1.83	**–1.59**
PwrShrs QQQ	QQQQ	**75.5**	45.63	–0.96	**–2.06**
SiriusXM	SIRI	**50.0**	0.74	0.07	**10.21**
Pfizer	PFE	**44.6**	19.93	–0.07	**–0.35**
WellsFargo	WFC	**44.6**	28.22	–0.06	**–0.21**
SPDR FnclSelSct	XLF	**42.1**	15.05	–0.08	**–0.53**
iShrMSCIEmrgMkt	EEM	**41.3**	41.55	–1.25	**–2.92**
FordMotor	F	**37.6**	11.59	–0.16	**–1.36**
GenElec	GE	**36.6**	16.41	–0.13	**–0.79**
iShrRu2000	IWM	**32.2**	63.44	–1.41	**–2.17**
DrxFinancBear 3x	FAZ	**31.8**	17.17	0.27	**1.60**
Intel	INTC	**31.5**	20.97	–0.08	**–0.38**
Microsoft	MSFT	**27.9**	30.43	–0.67	**–2.15**

Biggest gainers...

ParkBcp	PFED	**7.5**	$5.55	$1.00	**21.98%**
QuestEnrgPartn	QELP	**233.5**	4.10	0.60	**17.14**
ProtectOne	PONE	**101.7**	8.25	1.15	**16.20**
Cree	CREE	**7,556.3**	62.76	8.55	**15.77**
SportChalet B	SPCHB	**17.3**	2.77	0.37	**15.42**

...Biggest losers

AlexcoRes	AXU	**539.7**	3.35	-0.43	**-11.38**
BkGranite	GRAN	**192.0**	1.87	-0.23	**-11.06**
Supertex	SUPX	**205.7**	25.53	-3.06	**-10.70**
AtlSthrnFnlGp	ASFN	**25.3**	1.80	-0.20	**-10.00**
PrShUlt Silver	AGQ	**759.9**	62.54	-6.84	**-9.85**

ADRs of Asian companies*

52-WEEK High	52-WEEK Low	Stock	Symbol	Volume, in OOOs	Latest	CHANGE Points	CHANGE Percentage
$11.69	$6.36	**Taiwan Semi**	TSM	**6,484.7**	$10.75	-0.21	**-1.92%**
8.19	3.78	**Siliconware Prec Ind**	SPIL	**2,463.6**	7.40	0.01	**0.14**
82.74	33.09	**BHP Billiton**	BHP	**2,184.3**	77.69	-3.34	**-4.12**
4.24	1.65	**Utd Microelectronics**	UMC	**1,936.0**	4.12	-0.01	**-0.24**
13.30	6.25	**AU Optrncs**	AUO	**1,606.1**	12.06	-0.28	**-2.27**
15.95	8.56	**China Unicom**	CHU	**1,547.7**	11.96	-0.10	**-0.83**
59.22	40.20	**China Mobile**	CHL	**1,303.8**	48.84	-1.65	**-3.27**
18.20	6.85	**Korea Elec Pwr**	KEP	**988.6**	17.95	0.06	**0.34**
59.13	22.61	**Infosys Tech**	INFY	**871.3**	57.35	-1.17	**-2.00**
18.64	12.59	**SK Telecom**	SKM	**795.8**	18.25	0.13	**0.72**
6.84	3.71	**Mitsu UFJ Fnl**	MTU	**715.7**	5.20	-0.21	**-3.88**
9.50	3.96	**Nomura Hldgs**	NMR	**601.8**	7.63	-0.44	**-5.42**
34.11	15.64	**Sony**	SNE	**516.5**	33.01	-0.98	**-2.88**
5.23	1.49	**Adv Semi Engrg**	ASX	**492.8**	4.49	-0.20	**-4.26**
21.38	11.30	**KT Corp**	KT	**442.9**	21.14	1.02	**5.07**
34.27	9.91	**Aluminum Cp of China**	ACH	**439.4**	30.00	-1.49	**-4.75**
7.74	2.00	**Alumina**	AWC	**312.8**	6.47	-0.41	**-5.96**
81.00	37.43	**China Life Ins**	LFC	**301.8**	69.72	-2.23	**-3.10**
9.82	5.43	**Telecom Corp of NZ**	NZT	**266.9**	8.91	-0.26	**-2.86**
150.50	47.09	**POSCO**	PKX	**246.4**	134.55	-1.47	**-1.08**
19.56	15.05	**ChunghwaTel**	CHT	**246.2**	18.19	-0.29	**-1.57**
25.65	5.11	**Yanzhou Coal Mining**	YZC	**232.3**	22.64	-1.17	**-4.92**
135.92	63.94	**PetroChina**	PTR	**231.7**	120.04	-4.55	**-3.65**
34.43	21.60	**Huaneng Power Intl**	HNP	**215.8**	23.13	-1.05	**-4.34**
17.15	10.60	**Matsushita Elec**	PC	**206.2**	15.98	-0.67	**-4.02**
94.00	46.45	**China Petro & Chem**	SNP	**185.4**	83.37	-2.76	**-3.20**
91.97	56.79	**Toyota Motor**	TM	**181.4**	88.97	-2.81	**-3.06**
18.26	13.11	**NTT DoCoMo**	DCM	**159.8**	14.75	-0.26	**-1.73**
37.23	20.72	**Honda Motor**	HMC	**156.0**	35.13	-1.45	**-3.96**
4.68	1.50	**SemiMfgInt**	SMI	**134.3**	4.44	0.01	**0.23**

*Most active American depositary receipts tracked by Dow Jones

Source: WSJ Market Data Group

Global government bonds

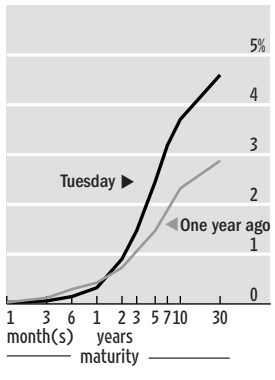
Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 11 a.m. ET

Coupon	Country/ Maturity, in years	Yield	SPREAD OVER TREASURYS, in basis points: Latest	Previous	Month ago	Year ago	YIELD: Previous	Month ago	Year ago
5.750%	**Australia** 2	**4.445%**	**357.5**	354.6	345.1	**189.3**	**4.440%**	4.248%	**2.602%**
4.500	10	**5.597**	**194.6**	183.5	189.2	**162.4**	**5.550**	5.436	**4.001**
5.000	**Austria** 2	**1.661**	**79.1**	71.5	11.4	**82.5**	**1.609**	0.911	**1.534**
3.900	10	**3.704**	**5.3**	1.7	-0.9	**155.7**	**3.732**	3.535	**3.934**
2.000	**Belgium** 2	**1.443**	**57.3**	55.1	22.8	**93.7**	**1.445**	1.025	**1.646**
3.750	10	**3.818**	**16.7**	15.6	0.8	**183.0**	**3.871**	3.552	**4.207**
1.250	**Canada** 2	**1.204**	**33.4**	38.3	51.1	**33.0**	**1.277**	1.308	**1.039**
3.750	10	**3.426**	**-22.5**	-21.2	-13.7	**30.2**	**3.503**	3.407	**2.679**
4.000	**Denmark** 2	**1.907**	**103.7**	104.3	117.9	**176.7**	**1.937**	1.976	**2.476**
4.000	10	**3.554**	**-9.7**	-13.7	-8.3	**104.9**	**3.578**	3.461	**3.426**
1.500	**France** 2	**1.045**	**17.5**	17.6	33.3	**102.3**	**1.070**	1.130	**1.732**
3.750	10	**3.473**	**-17.8**	-19.5	-15.1	**117.7**	**3.520**	3.393	**3.554**
1.250	**Germany** 2	**1.142**	**27.2**	30.0	36.0	**77.9**	**1.194**	1.157	**1.488**
3.250	10	**3.226**	**-42.5**	-43.1	-40.9	**63.3**	**3.284**	3.135	**3.010**
0.550	**Hong Kong** 2	**0.653**	**-21.7**	-28.0	-30.3	**-11.3**	**0.614**	0.494	**0.596**
2.160	10	**3.025**	**-62.6**	-74.1	-111.4	**-93.0**	**2.974**	2.430	**1.447**
3.750	**Italy** 2	**1.493**	**62.3**	53.2	68.5	**185.8**	**1.426**	1.482	**2.567**
4.250	10	**4.064**	**41.3**	34.4	43.1	**213.5**	**4.059**	3.975	**4.512**
0.200	**Japan** 2	**0.160**	**-71.0**	-72.9	-63.2	**-33.8**	**0.165**	0.165	**0.371**
1.300	10	**1.338**	**-231.3**	-238.1	-230.7	**-116.0**	**1.334**	1.237	**1.217**
4.000	**Netherlands** 2	**0.696**	**-17.4**	-19.5	2.4	**127.6**	**0.699**	0.821	**1.985**
4.000	10	**3.432**	**-21.9**	-24.4	-18.7	**138.6**	**3.471**	3.357	**3.763**
3.200	**Portugal** 2	**1.238**	**36.8**	40.7	44.8	**137.7**	**1.301**	1.245	**2.086**
4.750	10	**4.303**	**65.2**	49.7	37.0	**199.2**	**4.212**	3.914	**4.369**
5.350	**Spain** 2	**1.467**	**59.7**	54.6	65.9	**177.4**	**1.440**	1.456	**2.483**
4.300	10	**4.024**	**37.3**	30.2	29.8	**184.5**	**4.017**	3.842	**4.222**
2.750	**Switzerland** 2	**0.581**	**-28.9**	-28.6	-21.6	**-19.9**	**0.608**	0.581	**0.510**
2.250	10	**2.003**	**-164.8**	-164.8	-159.0	**-13.6**	**2.067**	1.954	**2.241**
3.250	**U.K.** 2	**1.351**	**48.1**	44.6	33.3	**83.1**	**1.340**	1.130	**1.540**
4.500	10	**4.020**	**36.9**	31.7	22.4	**112.6**	**4.032**	3.768	**3.503**
1.000	**U.S.** 2	**0.870**	**...**	...	...	**...**	**0.894**	0.797	**0.709**
3.375	10	**3.651**	**...**	...	...	**...**	**3.715**	3.544	**2.377**

Source: Thomson Reuters

U.S. Treasury yield curve

The curve shows the yield to maturity of current bills, notes and bonds; all data as of 3 p.m. ET.



Ryan Index	Yield to maturity	Modified duration	TOTAL RETURN Month to-date	Quarter to-date	Year to-date	12-month
30-year Treasury	**4.600%**	16.18	0.79%	0.79%	0.79%	–22.57%
10-year Treasury	**3.707**	8.21	1.25	1.25	1.25	–7.80
7 Year Treasury	**3.187**	6.17	1.42	1.42	1.42	...
Five-year Treasury	**2.456**	4.61	1.19	1.19	1.19	0.17
Ryan Index	**2.721**	6.67	1.00	1.00	1.00	–5.06
3 Year Treasury	**1.472**	2.92	0.81	0.81	0.81	1.94
Two-year Treasury	**0.903**	1.92	0.52	0.52	0.52	1.73
1 Year Treasury	**0.325**	0.98	0.16	0.16	0.16	1.15
Six-month Treasury	**0.147**	0.50	0.03	0.03	0.03	0.64
Ryan Cash Index-a	**0.141**	0.45	0.05	0.05	0.05	0.57
Three-month bill	**0.061**	0.25	0.01	0.01	0.01	0.37
One-month bill	**0.030**	0.06	...	...	...	0.14

a-Performance of a cash investment

Source: Ryan ALM

Key money rates

	Latest	52 wks ago
Prime rates		
U.S.	**3.25%**	3.25%
Canada	**2.25**	3.00
Japan	**1.475**	1.475
Britain	**0.50**	1.50
ECB	**1.00**	2.00
Switzerland	**0.53**	0.54
Australia	**3.75**	4.25
Hong Kong	**5.25**	n.a.
Libor		
One month	**0.23063%**	0.35625%
Three month	**0.24888**	1.12500
Six month	**0.39000**	1.55875
One year	**0.87563**	1.84000

	Latest	52 wks ago
Euro Libor		
One month	**0.39250%**	1.95000%
Three month	**0.61750**	2.30750
Six month	**0.93250**	2.39125
One year	**1.20125**	2.48000
Hibor		
One month	**0.06000**	0.29643%
Three month	**0.13000**	0.89786
Six month	**0.25750**	1.20143
One year	**0.54857**	1.70071
Asian dollars		
One month	**0.2436%**	0.37%
Three month	**0.2586**	1.1360
Six month	**0.4060**	1.5440
One year	**0.8920**	1.8200

	Offer	Bid
Eurodollars		
One month	**0.3000%**	0.2000%
Three month	**0.3500**	0.2500
Six month	**0.5500**	0.3500
One year	**0.8500**	0.5000

	Latest	52 wks ago
U.S. discount	**0.50%**	0.50%
Fed-funds target	**0.25**	0.25
Call money	**2.00**	2.00
Overnight repurchase rates		
U.S.	**0.19%**	0.23%
U.K. (BBA)	**0.505**	1.408
Euro zone	**0.30**	1.44

Sources: WSJ Market Data Group; Reuters

IBM profit rises 8.7% amid strong bookings

By Paul Glader

International Business Machines Corp.'s fourth-quarter profit rose 8.7%, driven by cost-cutting and its services arm, as the tech giant posted only a slight uptick in overall revenue.

The company, which has shifted its business to focus heavily on consulting work, booked a record $18.8 billion in new services contracts in the quarter—an increase of 9% from last year and a sign of improving demand from big businesses and government agencies.

IBM said Tuesday it expected to reach at least $11 a share in profit in 2010, compared with its previous prediction for $10 to $11 a share profit, but executives were reluctant to significantly raise their targets.

"We do see some encouraging signs in our business, but I'd like to get into the first quarter and get a little more validation [that] this is an ongoing recovery before we take this up further than we have," Mark Loughridge, IBM's chief financial officer, said during a conference call. Many of IBM's customers "are still very focused on cost savings."

Big Blue posted a profit of $4.81 billion, or $3.59 a share, up from $4.43 billion, or $3.27 a share, a year earlier. Revenue inched up 0.8%, to $27.23 billion, but fell 5% when adjusted for currency swings. Revenue in services and software rose, while hardware fell—but not as sharply as in previous quarters.

Bob Djurdjevic, an independent tech analyst, said the company's services bookings, which included 22 contracts worth more than $100 million, were impressive given the difficult business climate.

The company said its revenue from the markets of Brazil, Russia, India and China rose 18% in the quarter while its revenue in major markets like the U.S. slid 2%.

J.P. Morgan in talks to buy RBS Sempra

By Marietta Cauchi

LONDON—**J.P. Morgan** Co. is in exclusive talks with the **Royal Bank of Scotland Group** PLC to buy RBS Sempra Commodities, a joint venture with U.S. utility and natural gas company **Sempra Energy**, a person familiar with the situation said Wednesday.

RBS selected J.P. Morgan from a short list of three bidders over the last few days, the person said. The other bids were submitted by **Deutsche Bank** and Australia's **Macquarie Group** Ltd., people have previously said. Bids came in at around $4 billion, people said.

RBS, J.P. Morgan, Deutsche Bank and Macquarie declined comment.

The European Union ordered RBS to sell its 51% stake in Sempra as a condition of taking billions in state aid. RBS bought the stake in April 2008 for $1.7 billion.

Regulator is reviewing NAB bid for AXA unit

By Rebecca Thurlow

SYDNEY—Australia's competition watchdog has begun an informal review of **National Australia Bank** Ltd.'s proposed $13.3 billion Australian dollar (US$12.3 billion) acquisition of **AXA Asia Pacific Holdings** Ltd.

NAB unveiled its proposed A$6.43-per-share bid Dec. 17, upstaging a rival offer from Australia's second-largest fund manager, **AMP** Ltd. NAB must now persuade **AXA** SA, which owns 53.9% of AXA Asia Pacific, to support its proposal, as AXA SA had previously backed AMP's offer.

The Australian Competition and Consumer Commission said on its Web site that it proposes to announce its findings on the matter March 18.

The regulator had previously said it was "monitoring" the proposal as it waited for submissions from NAB.

"NAB has sought ACCC clearance regarding its proposed acquisition of AXA Asia Pacific Holdings Ltd.'s Australian and New Zealand businesses," the regulator said in a statement.

The commission said NAB and AXA Asia Pacific overlap in the areas of life insurance, superannuation—or pension—products, wealth management and financial planning, and advisory services.

AXA SA is locked in an exclusivity deal with AMP until Feb. 6 and is expected to start talks with NAB soon after.

The commission is also conducting an informal review of AMP's proposal, despite it being rejected by AXA Asia Pacific's independent directors, who backed the NAB plan.

The regulator is due to report its findings on the AMP proposal Feb. 10.

Legal Notices

PUBLIC NOTICES

NOTICE

Re: Liquidation of Assets of Lehman Brothers Commercial Corporation Asia Limited ("LBCCA")

We hereby give notice to any and all persons seeking to purchase assets owned by LBCCA in Thailand from it's liquidators or KPMG Hong Kong of the following:

▪ A Warrant has been issued by the Crime Suppression Division, Royal Thai Police on Dec 25, 2009 to Hongkong and Shanghai Banking Corporation (Bangkok Branch) to surrender all collateral held for debentures subscribed by LBCCA from Destination Properties including land titles, shares, and documentation to the Crime Suppression Division, Royal Thai Police.

• A Warrant has been issued by the Crime Suppression Division, Royal Thai Police on Dec 25, 2009 to Aberdeen Asset Management Co. Limited to surrender all assets, unit registers, unit pledges and any other assets it is possession relating to Siam Hotel Property Fund to the Crime Suppression Division, Royal Thai Police.

• A Warrant has been issued by the Crime Suppression Division, Royal Thai Police on December 25, 2009 to Hongkong and Shanghai Banking Corporation (Bangkok Branch) to freeze any and all activities, registrations, and any movement pertaining to collateral held for debentures subscribed by LBCCA from Destination Properties.

• A Warrant has been issued by the Crime Suppression Division, Royal Thai Police on December 25, 2009 to Aberdeen Asset Management Co. Ltd to freeze any and all activities, unit registrations, and any movement with respect to Siam Hotel Property Fund.

• A petition for Bankruptcy of LBCCA in Thailand has been accepted by Thailand's Central Bankruptcy Court on October 23, 2009 to declare LBCCA bankrupt in Thailand. In accordance with Thailand's Bankruptcy Act, any sale of any LBCCA Thai assets (whether within or outside of Thailand) within 3 months prior to the acceptance of this petition and afterwards can be challenged and overturned by the Legal Execution Department in Thailand.

▪ An injunction is pending with Thailand's Central Bankruptcy Court to freeze any and all sale of all LBCCA assets in Thailand. Any sale or disposal of any LBCCA assets prior to the trial may be revoked by the Central Bankruptcy Court of Thailand.

▪ Destination Properties has filed five (5) separate civil actions have been taken against asset holding companies of Lehman Brothers holding Thailand assets, comprising damages in excess of Baht 1,155,174,092 (US $35,005,275).

▪ Civil action has been taken against LBCCA's liquidators personally in the amount of Baht 320,000,000 (US $9,696,969) for failure to fulfil their obligations and damage caused to the various joint venture entities of Destination Properties.

▪ A criminal case against LBCCA and it's liquidators has been filed and accepted by the Royal Thai Police for misappropriation of assets. The investigation is ongoing.

▪ A second summons has been issued for each of the liquidators of LBCCA by the Crime Suppression Division of the Royal Thai National Police.

▪ Summons have been issued by the Crime Suppression Division, Royal Thai Police for representatives of several bidders of the December 4/09 bidding exercise conducted by the liquidators of LBCCA.

▪ A civil case for Baht 7,667,188,755 (USD $230,800,375) has been filed by Destination Properties Group against LBCCA for default on it's joint venture, debenture, and other agreements. Such damages amount is pending increase to Baht 11,961,608,257 (USD $362,472,977).

▪ A case for fraud and cheating has been filed by Destination Properties and is seeking damages of Baht 1,113,582,857 (US $33,744,935) and to revoke the any collateral held by LBCCA through it's debenture holders representative.

▪ A civil case for Baht 4,711,955,765 (USD $142,786,538) has been filed by Destination Properties against LBCCA for failing to fund joint venture and debenture funding commitments.

▪ An injunction has been filed with the Thai Civil Court to freeze any and all actions taken by LBCCA pursuant to the assets of the joint venture, including debentures, pledges of shares, and other collaterals.

▪ Destination Properties has the right of first refusal to purchase the LBCCA loans and reserves the right to exercise such option, any person or entity (including employees and directors) attempting to interfere will be sued for business interference in the appropriate legal jurisdiction.

LBCCA has defaulted on its joint venture and funding obligations to Destination Properties Group and has caused significant damage to the Company, its trade creditors, and its shareholders. Any person, employee, entity, corporation, or fund (including those entities providing the funding sources) that colludes with LBCCA, it's liquidators, or KPMG in any transaction regarding Destination Properties assets will be named (along with their employees and directors) in these and other ongoing civil and criminal lawsuits in Thailand.

The criminal charges against the Liquidators of LBCCA and any party colluding with them will carry imprisonment in Thailand for a period of up to 3 years.

Please be informed by this Notice accordingly. Parties should send enquiries to the following:
Thailand LBCCA Credit Committee, **Email: ThaiLBCCAcommittee@LIMCHAROEN.COM**

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A harvest of trouble in India

A summer drought has already taken a bite out of regional economies in India. It could have one sting left: undermining the power of the country's central bank.

A wholesale index of food prices in India jumped more than 19% in December from a year earlier. Sugar and some beans are now at all-time high prices.

The price gains have raised alarms at the central bank. The Reserve Bank of India's problem, though, is that its key inflation-fighting tool—interest rates—aims at demand. Rising food prices in India remain largely a supply-driven problem.

That complicates the calculus of how quickly rates in India should rise. A big jump in rates would dampen speculation iand manage inflation expectations, but it won't affect price gains driven by shortages. Plus, it could put India's broader economic recovery at risk. Moving too slowly, though, could have food-price gains spilling over into broader inflation measures.

The government has taken some steps—selling wheat out of its stockpiles, lifting import taxes on sugar, and capping the size of stockpiles allowed to be held by food producers—but many doubt they will be effective. Poor coordination between federal and state governments and limited stockpiles of some foods will see to that, naysayers argue.

Economists expect a steady response from the RBI, perhaps a quarter-point increase in rates from historic lows at next week's policy meeting, leading to a total three percentage point increase over the course of 2010. That would still leave interest rates below their peak in 2008, the last time food-price increases challenged India.

But the persistence of high prices is casting some doubt on these assumptions. DBS economist Ramya Suryanarayanan expects wholesale price inflation in the fiscal year ending March 2011 to be about 5%, but says "that's on the assumption food prices will fall."

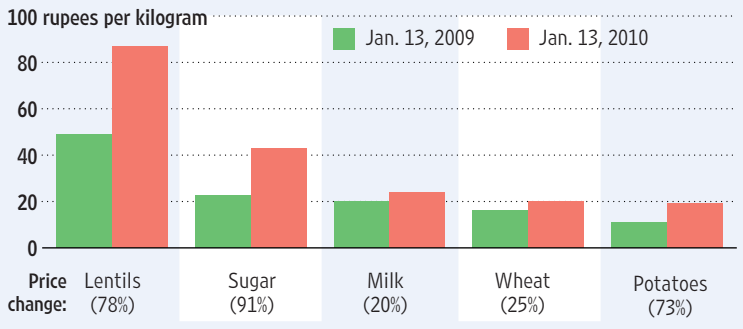
"Seeing the way food prices are rising, it's kind of worrisome that they may not come down that much," she said.

A decent harvest of the winter-sown crop could ease pressures. But that won't be clear until May.

Weather, as always, is India's wild card. *—Harsh Joshi*

Inflation's bite

Average prices and change in price from a year earlier for selected food items in Mumbai



Sources: Ministry of Consumer Affairs, Food and Public Distribution, Reuters (photo)

Is huge investment bank weighing down Citi?

Tucked away inside **Citigroup** is one of the world's largest investment banks. But after a lackluster fourth quarter, reported Tuesday, it is time to ask whether this giant unit might weigh on the bank's recovery prospects.

Securities and banking, part of Citi's core businesses, had about $800 billion of assets at year-end, giving it a balance sheet similar in size to those of **Morgan Stanley**'s and **J.P. Morgan Chase**'s investment banks. In 2009, Citi's unit earned $9.1 billion, or a 1.17% return on assets. That compares nicely with J.P. Morgan's 0.99% investment-bank return, so why worry?

First, Citi's performance depended heavily on a blowout first quarter that accounted for more than $6 billion of last year's earnings. Results then tapered off, with the fourth quarter producing only $300 million in profits.

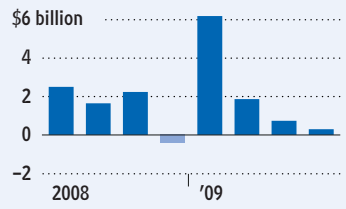
Granted, Citi's latest quarter was hit by $1.9 billion of losses stemming from accounting adjustments to the value of its own debt and counterparty risk. But revenue in a key business like equity trading was off 45% from the third quarter, excluding the debt adjustments. And, worrisome, a large part of the fourth-quarter debt-valuation hit came from correcting errors in its calculation in prior periods. That could erode trust among investors, who expect watertight balance sheets from investment banks.

Further, unlike others, Citi typically doesn't break out how much equity is at its investment bank, forcing outsiders to grope for critical metrics like leverage and return on capital.

Citi deserves praise for increasing disclosure in its consumer-lending business. Why didn't it do so for the investment bank? *—Peter Eavis*

Back to earth

Citigroup's Securities and Banking net income or loss



Source: the company

Credit Suisse sets pace on pay

Credit Suisse Group employees might wish otherwise, but the Swiss bank is a leader when it comes to addressing the industry's problems.

Its announcement that it will cut U.K. managing-director bonuses 30% and the global bonus pool 5% to fund the U.K. bonus-windfall tax is the latest in a string of initiatives designed to draw the sting from the global backlash against banks.

Credit Suisse's decision to pass the burden of the bonus tax to employees is a smart move that will enhance its reputation.

Chief Executive Brady Dougan is a leader with a clear strategy who can count on staff loyalty. Long-term employees should reap the benefits through a higher share price.

Not all banks will feel so confident of their employees' loyalty. By setting out its position early, Credit Suisse has made it easier for others to follow, and harder to resist. *—Simon Nixon*

WEEKEND JOURNAL. ASIA

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MARKETS LINEUP

Moving the markets

At right, Japan's benchmark stock index and the biggest movers among the larger Asian stocks indexes and stocks Wednesday. Below each index are its most actively traded stocks. The charts show the percentage change in each index's or stock's value, rather than the point change, for purposes of comparison. The index level or stock price is indicated on each axis. All indexes and stocks are shown in local currency terms.

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Asian index movers...

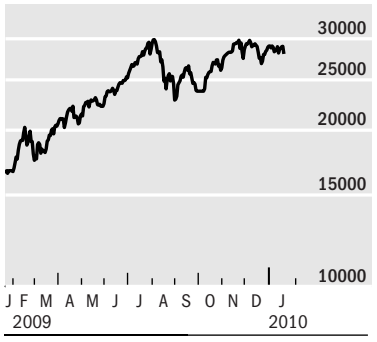
Nikkei Stock Average
Japan 10737.52
▼ **0.25% or 27.38**

The index fell on profit-taking ahead of Chinese economic data and corporate earnings reports in the U.S. and Japan. Brokerages and shippers were particularly weak.

Stock	Volume in millions	Close	Change Net	Change %
Mizuho Financial	**154.81**	185	–2	–1.07
Mtshbsh Fin Grp	**115.32**	482	–4	–0.82
Hitachi	**89.76**	308	5	1.65
SumitomoMitsuiFinl	**59.34**	2,891	–40	–1.36
Nomura Hldgs	**52.64**	711	–28	–3.79

CBN 600
China 28048.04
▼ **3.31% or 961.67**

Banks and property developers led shares lower after the banking regulator said it will restrict lending following explosive credit growth last year. ICBC and China Vanke fell.



Stock	Volume in millions	Close	Change Net	Change %
China State Con	**291.99**	4.42	–0.11	–2.43
Icbc	**225.79**	4.93	–0.13	–2.57
CiticSecurities	**214.65**	29.57	–1.43	–4.61
United Network	**210.63**	7.22	–0.34	–4.50
China Shipping	**179.85**	5.18	–0.07	–1.33

Hang Seng
Hong Kong 21286.17
▼ **1.81% or 391.81**

Shares tracked weakness in China's equities markets amid persistent investor worries over Beijing tightening credit. Citic Bank and Bank of China lost ground.

Stock	Volume in millions	Close	Change Net	Change %
Bank Of China	**517.44**	3.95	–0.14	–3.42
CCB	**431.80**	6.22	–0.20	–3.12
Icbc	**343.00**	5.89	–0.16	–2.64
PetroChina	**166.09**	9.40	–0.16	–1.67
ChinaPetroChem	**150.07**	6.53	–0.13	–1.95

Straits-Times
Singapore 2893.13
▼ **0.68% or 19.79**

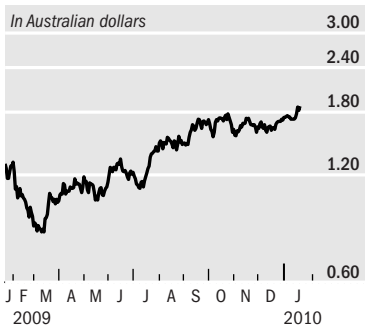
Concerns about tighter monetary policy in China helped send shares lower. Rig builders fell the most, with Sembcorp Marine and Keppel sliding.

Stock	Volume in millions	Close	Change Net	Change %
Genting Spore	**112.12**	1.26	–0.02	–1.56
Golden Agri	**60.80**	0.58	unch	...
Cosco	**22.19**	1.36	unch	...
CapitaLand	**20.43**	4.38	0.02	0.46
Sing Telecom	**12.83**	3.00	0.01	0.33

Asian stocks in the news

Fairfax Media
Australia A$1.87
▲ **2.7% or A$0.05**

The newspaper and magazine publisher recouped losses from the previous trading session.



Price-to-earnings ratio	**none**
Earnings per share, past four quarters	**-0.22**
Dividend yield	**none**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Media	**0.6%**	0.8%	41.1%
Fairfax Media	**2.7%**	8.7%	45.1%

Dowa Hldgs
Japan ¥561
▲ **3.1% or ¥17**

The nonferrous-metal firm rose after Morgan Stanley raised its rating to overweight.

Price-to-earnings ratio	**31**
Earnings per share, past four quarters	**18.10**
Dividend yield	**1.8**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Basic Resources	**-0.7%**	-1.6%	89.3%
Dowa Hldgs	**3.1%**	6.9%	103.3%

Lend Lease Group
Australia A$9.85
▲ **4.0% or A$0.38**

The firm was chosen as preferred developer for the first stage of the Alkimos development.

Price-to-earnings ratio	**none**
Earnings per share, past four quarters	**-1.65**
Dividend yield	**1.6**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Real Estate	**-0.9%**	-1.0%	53.7%
Lend Lease Group	**4.0%**	-1.0%	43.8%

Toyota Tsusho
Japan ¥1,489
▲ **6.0% or ¥84**

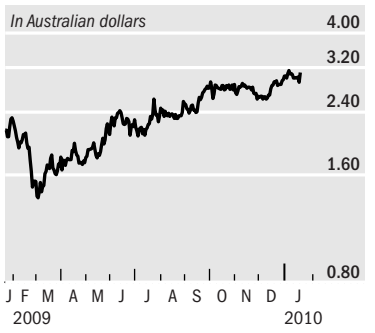
The trading house secured low-cost loans to take a stake in an Argentinean lithium project.

Price-to-earnings ratio	**23**
Earnings per share, past four quarters	**65.00**
Dividend yield	**1.1**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Basic Resources	**-0.7%**	-1.6%	89.3%
Toyota Tsusho	**6.0%**	5.2%	83.4%

Macquarie Airports
Australia A$3.10
▲ **6.5% or A$0.19**

The company reported 8% on-year growth in traffic for Sydney Airport for December.



Price-to-earnings ratio	**3**
Earnings per share, past four quarters	**1.19**
Dividend yield	**2.6**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Indus Gds & Svcs	**-1.0%**	0.2%	57.9%
Macquarie Airports	**6.5%**	3.3%	45.1%

Nomura Hldgs
Japan ¥711
▼ **3.8% or ¥28**

Credit Suisse cut its rating on the firm to neutral from outperform.

Price-to-earnings ratio	**44**
Earnings per share, past four quarters	**16.10**
Dividend yield	**0.8**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Financial Services	**-1.5%**	-1.3%	62.8%
Nomura Hldgs	**-3.8%**	-5.7%	16.0%

Kawasaki Kisen Kaisha
Japan ¥334
▼ **4.0% or ¥14**

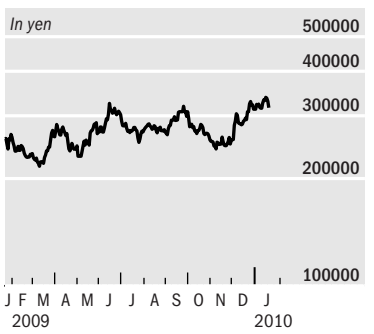
Shipping firms declined after the Baltic Exchange's main sea freight index fell.

Price-to-earnings ratio	**none**
Earnings per share, past four quarters	**-139.30**
Dividend yield	**none**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Indus Gds & Svcs	**-1.0%**	0.2%	57.9%
Kawasaki Kisen Kaisha	**-4.0%**	2.8%	-3.2%

Japan Tobacco
Japan ¥316,000
▼ **4.1% or ¥13,500**

Norway said it dropped the firm and other tobacco companies from its wealth fund.

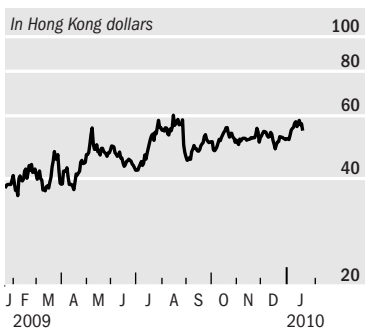


Price-to-earnings ratio	**29**
Earnings per share, past four quarters	**10800.00**
Dividend yield	**1.8**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Personal & Hshld Gds	**-0.8%**	-0.2%	30.7%
Japan Tobacco	**-4.1%**	-5.0%	22.1%

Esprit Hldgs
Hong Kong HK$54.50
▼ **4.4% or HK$2.50**

Shares were likely hurt by worse-than-expected economic data from Germany.

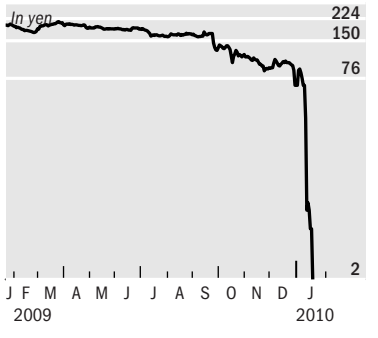


Price-to-earnings ratio	**15**
Earnings per share, past four quarters	**3.72**
Dividend yield	**2.7**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Retail	**-0.9%**	-0.8%	35.4%
Esprit Hldgs	**-4.4%**	-2.6%	45.1%

Japan Airlines
Japan ¥2
▼ **60.0% or ¥3**

Shares dropped to a new low after the airline filed for bankruptcy protection Tuesday.



Price-to-earnings ratio	**none**
Earnings per share, past four quarters	**...**
Dividend yield	**none**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Travel & Leisure	**-0.8%**	0.2%	14.7%
Japan Airlines	**-60.0%**	-71.4%	-99.0%

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